S. HRG. 98-770

REFINANCING THE BOND INDEBTEDNESS OF THE JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

HEARING

BEFORE THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 2562

A BILL TO AMEND THE JOHN F. KENNEDY CENTER ACT, AND FOR OTHER PURPOSES

AND

S. 2547

A BILL AUTHORIZING APPROPRIATIONS TO THE SECRETARY OF THE INTERIOR FOR SERVICES NECESSARY TO THE NONPERFORMING ARTS FUNCTIONS OF THE JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS, AND FOR OTHER PURPOSES

APRIL 26, 1984

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REFINANCING THE BOND INDEBTEDNESS OF THE JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

THURSDAY, APRIL 26, 1984

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
Washington, D.C.

The committee met, pursuant to notice, at 10:07 a.m., in room SD–406, Dirksen Senate Office Building, Senator Robert T. Stafford (chairman of the committee) presiding.

Present: Senators Stafford, Chafee, Randolph, Bentsen, and Burdick.

OPENING STATEMENT OF HON. ROBERT T. STAFFORD, U.S. SENATOR FROM THE STATE OF VERMONT

Senator STAFFORD. The Committee on Environment and Public Works will please come to order.

The committee is meeting today to consider S. 2562, a bill to refinance the bond indebtedness of the John F. Kennedy Center for the Performing Arts.

Also on the agenda is S. 2547, a bill to authorize fiscal year 1985 appropriations for the National Park Service expenses associated with memorial functions.

In 1980 the committee reported, and the Senate passed, legislation to resolve the financial problems of the Center, but the House failed to act prior to adjournment of the 96th Congress. Since that time, considerable work has been undertaken both in the executive branch and the legislative branch to find a solution to the pressing indebtedness problems facing the Kennedy Center.

For example, a task force composed of officials at the Department of the Treasury, Office of Management and Budget, and Kennedy Center was organized and has reached an agreement.

We have John Kilcoyne of the Treasury Department with us today, who can testify on the work of the task force and upon its recommendations.

In addition, the General Accounting Office undertook a new study and audit of the financial affairs of the Center. This work was recently completed, and earlier this month the GAO submitted its report to Congress. William Anderson, Director of the General Government Division, is with us today to address this report and respond to questions of members.

Following passage of the Senate bill in 1980, the National Park Service and the Kennedy Center drafted a new agreement to split

the operating costs of the Center between those associated with the nonperforming arts, or memorial functions, and those associated with the theatrical functions. This proposed agreement was to replace the original agreement which was adopted in 1971 and has now expired.

We are glad to have Jack Fish, Regional Director of the National Capital Region, who has worked with the Kennedy Center from the Center's inception and is knowledgeable on this subject.

Finally, we are particularly glad to welcome to the committee today Roger Stevens, chairman of the board of trustees of the Kennedy Center. Mr. Stevens really needs no introduction. His stewardship at the Center is well known in terms of getting the Kennedy Center under way as well as in terms of its success for the past 12 years. He has, we think, uplifted the arts in the Nation's Capital through dedicated voluntary service to the Center.

Senator Randolph, do you have a statement?

OPENING STATEMENT OF HON. JENNINGS RANDOLPH, U.S. SENATOR FROM THE STATE OF WEST VIRGINIA

Senator RANDOLPH. Yes. Thank you.

Mr. Chairman, the Environment and Public Works Committee has had an intense interest in the development and operation of the John F. Kennedy Center for the Performing Arts.

In fact, we could be said to have helped to bring this institution into being. And we have conscientiously attempted, over the years, to be of assistance so that it could meet its obligation as a national cultural center and also as a memorial to the late President Kennedy. So we are coming together this morning to listen to witnesses who are going to discuss certain financial problems, and these, I understand, are very acute.

This is not the first time that this issue has been before us. The bond indebtedness and the Kennedy Center's apparent inability to meet that responsibility, we have addressed it in the past. In fact, in 1980 we developed legislation which we believed would resolve the problem. That measure was passed by the Senate, but it was never acted on in the House of Representatives.

It appears relatively clear to me that the Kennedy Center has insufficient revenue to retire the $20.4 million in outstanding bonds or the accumulating interest. I believe there is no question that the members of this committee not only wish to see, but want to assist in the resolving of this issue, and we would like to do it now and not have a recurring problem.

So the question before us how best to approach this matter to assure the equity for all of the parties concerned, and those, of course, who are served by the Center.

The bill recently introduced, Senate 2562, was developed jointly by the Kennedy Center, the U.S. Treasury Department, and the Office of Management and Budget. It represents an approach to the debt problem. It is a different approach from that approved, as you know, Mr. Chairman, and Senator Chafee, in 1980.

There are perhaps other ways in which legislation could be developed. Our purpose is to explore with the witnesses the current proposal and to examine other ideas that may be presented.

I assure our witnesses that we are prepared to work with those that are appearing today and the institutions they represent. We do want an equitable resolution of this matter. And I would like to see it, Mr. Chairman, done before we close it out this fall or early winter.

Thank you very much.

Senator STAFFORD. Thank you, Senator Randolph. I would like to see it done as promptly as we can.

Senator Chafee.

OPENING STATEMENT OF HON. JOHN H. CHAFEE, U.S. SENATOR FROM THE STATE OF RHODE ISLAND

Senator CHAFEE. Mr. Chairman, I have no formal statement, but let me just join in the last sentiment that was expressed by you and Senator Randolph.

We have had this thing before us ever since I have been on this committee, which is about 7 years, and I hope we can settle it and settle it once and for all. I think the proposal that has come, that is submitted by Senator McClure and others, and with Treasury signing off, is a good proposal. I hope we will get on and approve it and get this behind us.

I know it has been a worrisome thing for those connected with the Center, Mr. Stevens and others, and I hope we can set it behind us, or start setting it behind us.

Senator STAFFORD. Thank you very much, Senator Chafee.

Now we will ask Mr. John Kilcoyne, who is the Assistant Secretary of the Department of Treasury, who will be the first witness.

Mr. Kilcoyne, we have your statement, which appears to be reasonably short. We will ask you either to summarize it and place it in the record or, in view of its apparent brevity, read it, whichever you prefer.

Mr. KILCOYNE. I have a shortened version, which I would like to read.

Senator STAFFORD. We will place the full statement and the supporting material in the record then and ask you to go ahead as you wish.

STATEMENT OF JOHN KILCOYNE, ASSISTANT FISCAL ASSISTANT SECRETARY, DEPARTMENT OF THE TREASURY, ACCOMPANIED BY JAMES SPAHR, STAFF ACCOUNTANT, OFFICE OF THE FISCAL ASSISTANT SECRETARY

Mr. KILCOYNE. Thank you. Thank you for inviting me today to discuss proposed legislation to amend section 9 of the John F. Kennedy Center Act. I am accompanied by James Spahr, who is staff accountant in the Office of the Fiscal Assistant Secretary.

As you know, the Secretary of the Treasury holds $20.4 million in revenue bonds maturing in 2017 to 2019, which the Center issued to obtain funds to build the Center's parking facilities. Because interest has been deferred on these obligations, as the statute permits, the interest accrued to date is now almost 150 percent of the principal; that is, $29.5 million as of December 31, 1983.

Based on the Center's representations that it could not pay the annual simple interest of $1.2 million on the bonds, and on a suc-

cession of reports from the General Accounting Office pointing out that the Center's tenuous financial situation, the Treasury Department realized that an accommodation with the Center would have to be reached.

We supported proposed legislation in the past, notably S. 1532 of the 96th Congress, that would have written off the deferred and simple future interest and required the Center to repay part of the principal.

At the time the Center made its most recent request for a deferral of interest, the Department's Under Secretary for Monetary Affairs, Beryl Sprinkel, informed the Center's Chairman that no deferrals beyond December 31, 1984, would be granted. He felt that to continue the present situation would be poor financial practice.

Accordingly, he formed a Treasury-chaired working group to assess the issues and to come up with a legislative plan for the Congress' consideration. The Office of Management and Budget and the Kennedy Center participated. The group looked closely at the Center's financial statements, held discussions with the GAO audit team preparing the report on the Center, and came up with the consensus proposal now before the committee.

That plan has been ratified by the two central financial agencies, OMB and Treasury, and by the Center's Board of Trustees.

Because the Center's financial obligations for deferred interest is growing at a far greater rate than its revenues, it was felt that the relief would need to be granted, while at the same time putting the Center in the position of repaying a portion of the principal.

Thus, the bill before the committee would, one, write off the deferred interest of almost $30 million; two, waive the future simple interest through the remaining life of the bonds; and three, establish an investable sinking fund in the Treasury into which the Center would pay $200,000 annually beginning in 1987, toward repayment of the principal.

This fund, invested in Treasury securities, returning an average of 7 percent, would be sufficient to retire the bonds beginning in the year 2017. We recognize that there may be other ways of dealing with the problem. However, Treasury's primary concern is with the Center's status as a borrower, and we must work towards a solution that will avoid the unthinkable, the Center being in default on its obligation come January 1, 1985.

Dr. Sprinkel has taken a firm stand for the Treasury, and I am prepared to offer his statement for the record.

Mr. Chairman, my detailed statement contains information on the Center's financial situation and the factors that led the working group to the recommendations now before you. In addition, we have furnished a detailed background statement on both the rationale and the provisions of the proposed legislation.

I close by confirming that the Department supports the proposal, as do the other members of the working group. We also understand that the Department of the Interior is unopposed. We urge its passage by the Congress so that the Center can devote full attention to its primary mission of expanding and improving the arts in our Nation's Capital. To delay resolution of the financial problem would, in our view, create an undesirable choice for the Treasury either of pressing its claim against the Center or of prolonging a

clearly untenable status quo, a situation which will only get much worse in a short amount of time.

At today's interest rates, the Center's interest obligation will increase more than $4 million next year and will become progressively worse in future years.

That concludes my statement, Mr. Chairman. I will be glad to respond to any questions that you and the members may have.

Senator STAFFORD. Thank you very much, Mr. Kilcoyne. Let me ask you a few questions, and I will try not to consume more than 5 minutes.

The Treasury Department states that no more interest deferrals will be granted beyond this December. If the Congress cannot reach an accommodation to deal with the problem and Treasury denies any more deferrals, the Center would face an interest obligation exceeding $3 million a year.

What would be the legal and contractual implications if the Center could not meet such a large obligation? Would the Center be in technical or legal default? Would Treasury be forced to foreclose? What would be the effect on the Center's arts programs?

Mr. KILCOYNE. We have undertaken a review of what that situation would be as of January 1, 1985, Mr. Chairman, and it is the Treasury view that the Kennedy Center would be in technical default if there were no relief granted by the Congress.

At that point in time, the Treasury Department would have to take whatever actions were suitable at that time to enforce the debt—will full advice from Treasury legal staff.

However, as my statement says, we consider that to be the unthinkable. We recognize that it has to be dealt with as a possibility, but that's all. And the reason we are here is to ask you to help us, as well as the Kennedy Center, avoid that.

Further, our understanding is that the Kennedy Center is at the present time under a burden because of this debt obligation in its private fundraising efforts. The Kennedy Center advises us, and we firmly believe, that this kind of technical default situation would be disastrous to its, up to this point, ever increasingly successful fundraising efforts.

We certainly have no desire whatsoever to put the Kennedy Center in a position of being unable to raise funds from private sources.

Senator STAFFORD. How did you arrive at the $200,000 annual figure as the appropriate amount?

Mr. KILCOYNE. One of the factors we considered was the GAO report which was done last summer, and I understand just in the last few days it has come out in final form. The GAO report suggested $190,000 as a suitable yearly payment into a sinking fund. So we relied on the GAO report, but we also studied the past and projected future revenues coming into the Kennedy Center, particularly the parking garage revenues, and we tried to balance that out against the costs which the Kennedy Center is responsible for with regard to the theaters and also their administrative and office space.

So I think it was an attempt to set up an equitable equation between what we could see would be the expenses of the Center, what

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would be left over, so to speak, to be used to repay the Secretary of the Treasury, as opposed to the revenues that could be expected.

Senator STAFFORD. Is it your judgment that $200,000 represents a reasonable limit that the Center can pay into the sinking fund without impairing the theatrical operations at the Center?

Mr. KILCOYNE. Yes, sir. That definitely is our view, and I believe that I can say that the Center concurs in that and that we also have OMB support. And I would think that we also have GAO support with regard to that, but I don't mean to speak for the GAO.

Senator STAFFORD. Surely. Did the working group address the cost share formula to split operating costs between the Government and the Center? And if so, what was its recommendation there?

Mr. KILCOYNE. The working group did address that, Mr. Chairman. The Treasury Department, however, did not take a lead role in addressing that issue, because it properly is an issue between the Kennedy Center and the Department of the Interior. However, as our background paper says, it is the working group recommendation that the current cost-sharing formula remain the same. We do not address that in our proposed bill, because we think it can be taken care of in the legislative history.

But I would say on behalf of the Treasury that, based on the projections that we have seen and our calculations, we hope that the cost-sharing formula will stay where it is. We don't want other factors to impair the Kennedy Center's ability to pay us, the Secretary of the Treasury, the $200,000 a year.

Senator STAFFORD. Are you concerned that a fairness issue might arise or there be claim that a precedent has been set for other loan programs such as SBA or Farmer's Home or student loan, if all the interest is cancelled for the Center and it is given an interest-free loan over a period of 30 years?

Mr. KILCOYNE. I think the candid answer to that is, yes, we are concerned. And we certainly tell you right up front that we haven't done exactly this kind of thing before. The rationale for doing this kind of thing right here and now, though, I think has been excellently summarized by yourself and Senator Randolph.

The Treasury Department believes that we are faced with an emergency situation here and now, and we have got to deal with it here and now. We are not anxious to set precedents for other programs. We are anxious, however, to get this off of your back, so to speak, and also to settle this debt, outstanding debt, issue once and for all.

Senator STAFFORD. I think that we can tell ourselves at least that this is not precedent setting. This is an unusual situation affecting the national cultural center here in our Nation's Capital.

Senator Randolph.

Senator RANDOLPH. Thank you, Mr. Chairman.

I am grateful to our witness from the Treasury Department for his clarity in presenting this problem. The Kennedy Center, as we know, is presently—I believe I am correct—paying about $500,000 in parking garage revenues to retire its bank loan. Now, after the loan is retired, it is proposed that $200,000 of garage revenues be placed in a sinking fund each year to retire the outstanding bond.

And I ask you, is there any reason why the current figure of $500,000 could not be committed in toto to bond retirement? This

would not diminish the funds presently used by the Kennedy Center for other purposes. You might give me your thoughts on this.

Mr. KILCOYNE. Yes, sir. Again, I would refer back to what I had said a little while ago. We are, with good reason, we think, relying on the GAO reports, we are relying on the Kennedy Center's figures. It is our best judgment that the $200,000 per year is the best the Kennedy Center can do, given the fact that these administrative costs which it must bear for the theaters, for maintenance and for upkeep, for those kinds of expenses, are constantly rising.

Also, we understand that the Kennedy Center ticket prices are as high as they are going to go for the present time. In other words, in a broad-brush way, we think that the Kennedy Center cannot bear anything more than $200,000 a year. We are satisfied on that point.

Senator RANDOLPH. Mr. Kilcoyne, our committee has received a letter from the U.S. Treasury Department which states the Interior Department has approved the proposal that we are considering today. Would you tell the members of the committee who the person, perhaps, or the office, that gave approval from the Interior Department to the present plan?

Mr. KILCOYNE. The Interior Department was an observer, if that is a correct term, to the working group deliberations. And the Interior Department has been fully briefed as things went along. I can't tell you, Senator, that the Secretary of the Interior or someone at that level has given explicit approval to this. But we did work with the representative from the office of the Secretary of the Interior in our working group deliberations. And as I say, they have been briefed.

I hope that the language that I have used in both the letter and the statement will satisfy the Department of the Interior. We tried to couch that language to be correct and not to overstate their role in this.

Senator RANDOLPH. I thank you, Mr. Kilcoyne.

Thank you, Mr. Chairman.

Senator STAFFORD. Thank you, Senator Randolph.

Senator Chafee.

Senator CHAFEE. Thank you, Mr. Chairman.

Mr. Kilcoyne, what about the garage revenues increasing the charges, or is that all dealt with under the contract they have with APCOA? It seems to me every time you go park in the garage, it's very expensive, and so finally you get so that you expect it to be expensive. Do you think they have milked it for all it's worth?

Mr. KILCOYNE. Well, sir, I would be glad to offer my view on that. I would like to defer to Mr. Stevens, though, as to particulars on that.

But to answer your question, we understand that the parking fee at the Kennedy Center is competitive with, for example, the Watergate parking garage or the Columbia Plaza parking garage. We also have been told that a sampling of opinion says that patrons think that the parking fee is quite high enough and also that if the parking fee were to be increased, the people who would be most injured would be the subscription people, the regular patrons who come back time after time.

So we think, and we are relying on other experts—that the parking fees are probably as high as they can reasonably be set given the competition.

Senator CHAFEE. Mr. Chairman.

Senator STAFFORD. Senator Chafee.

Senator CHAFEE. I am not going to be able to stay, unfortunately, because I have a commitment soon. But Mr. Stevens is here. Would it be all right if he just answered that question? I know he is familiar with it. Mr. Stevens, could you just comment on that?

Senator STAFFORD. Surely.

Senator CHAFEE. I know you have an agreement with APCOA, and do you think you have all you can out of the parking charges? You may sit right there, Mr. Stevens.

Mr. STEVENS. The parking charges are part of an evening's entertainment. And the peculiar location of the garage is such that it is quite a long walk from any place that you can really park on the street. So it is a necessary function of going to the theater. And we feel that our ticket prices are high enough that we find that the attendance is dwindling for no apparent reason. And the best example is just the night before last, Placido Domingo, who is supposed to be the great superstar of opera, did not sell out, which normally, he would. They said it was because he was doing an opera people didn't know. But I mean it is just an example that, sure you can get people to go to really sure-fire things, but you have to figure that we've got to keep our expenses down for everything else.

And we hesitated a long time before even raising the parking rate 50 cents last summer which, the first raise in many years. I think that that is all that we can get. The parking situation is a unique one and very necessary to the well-being of the theaters. I mean it is that convenience that makes—I have had many women, for example, single women, say, "Well, I like to go to the Kennedy Center because I can go alone and drive right into the garage and not think about walking in the streets."

So it's a necessary item and I would hate to hurt it any.

Senator CHAFEE. Thank you, Mr. Stevens.

Thank you, Mr. Kilcoyne.

Senator STAFFORD. I guess before you leave, Mr. Stevens, so that I will understand the answer fully, you feel that the prices for parking in the garage are as high as they should be at the present time; is that the basic answer?

Mr. STEVENS. Yes, sir, Mr. Chairman. I think that's true.

Senator STAFFORD. Thank you.

Senator RANDOLPH. Have we on the record what the costs of parking are?

Mr. STEVENS. Senator, we charge $3 even for evening performances. One of the reasons is because so many cars come in and out that you have to have an even amount. During the day there is a daily parking charge which depends on the length of time, like most parking lots—but the maximum fee is $5—but that's not a very significant factor.

Senator RANDOLPH. How many cars can be parked?

Mr. STEVENS. Around 1,500. When I say around 1,500, the building was originally planned for 1,600 and then it turned out to only

about 1,400 spaces. But by some judicious rearranging, and with the advent of many smaller cars, they striped partially. So I think around 1,450 would be a good guess of maximum capacity.

Senator RANDOLPH. Of course, the recent performance you mentioned came at a time when people are trying to pay their income taxes. That might have been one reason why the grand opera took second billing.

How did you do with Jack Klugman? I went there, and I thought it was a sellout.

Mr. STEVENS. Actually we didn't do that well, or he didn't. It wasn't a production that we produced ourselves.

Senator RANDOLPH. Oh, I see.

Mr. STEVENS. He was there just for 2 weeks, and the first week, in spite of excellent reviews, he didn't do well. But it picked up steam to where the last week practically sold out. I think he could have stayed a lot longer, if you want my opinion.

Senator RANDOLPH. I was thrilled at that performance.

Mr. STEVENS. I thought it was good, too.

Senator RANDOLPH. Thank you.

Senator CHAFEE. Thank you, Mr. Chairman.

Senator STAFFORD. Thank you, Senator Chafee.

Senator Bentsen.

OPENING STATEMENT OF HON. LLOYD BENTSEN, U.S. SENATOR FROM THE STATE OF TEXAS

Senator BENTSEN. Thank you very much, Mr. Chairman. I won't be able to stay because I have a special order scheduled on the floor of the Senate.

But I for one am just very pleased to see that we are finally trying to resolve this problem, and there is no question in my mind but that we have a great national asset there, and it never is going to be, frankly, totally self-supporting. But it does carry out the mandate of the Congress in having a National Center for the Performing Arts and for other public service programing.

Frankly, I think we are fortunate to have a man of the talents of Roger Stevens in that capacity, to have an entrepreneur who has had his kind of a success record, and then to have the unusual correlation of his relationship with the performing arts gives us a businessman who has that special blend of talents I think is very helpful.

I am pleased to support the bill and will be looking forward to its passage.

Senator CHAFEE. Mr. Chairman, I would just like to add to what Senator Bentsen said. It's my understanding that Mr. Stevens performs this labor of love for free, and we encourage that type of activity.

So I want to join in the statement of Senator Bentsen regarding Mr. Stevens' stewardship of this very challenging, demanding, and I suspect unrewarding in every respect except personal satisfaction he might get from it. But I want to say we are grateful to you, Mr. Stevens, for what you have done in that center, and I have been there many times with my wife and family, and we have certainly enjoyed it.

So this is maybe a tribute to you if we can get this piece of legislation out of this committee.

Senator STAFFORD. Thank you, Senator.

Senator Bentsen, do you have any more?

Senator BENTSEN. Other than to say my proxy will be here to support the bill.

Senator STAFFORD. Fine.

If the members could stay just a minute, the Chair is going to attempt a little parliamentary maneuver here.

Senator Burdick.

Senator BURDICK. I just have one question, and maybe you want to supply it for the record if you don't have the answer.

What is the estimated revenue loss to the Government in this legislation?

Mr. KILCOYNE. The amount of past deferred simple and compound interest is $29.5 million. That's what is proposed to be written off by the terms of the bill.

Senator BURDICK. Bring the mike closer. I didn't hear that answer.

Mr. KILCOYNE. I am sorry. The amount that under the bill would be forgiven or written off is $29.5 million of past deferred simple and compound interest.

Senator BURDICK. And that is the total revenue loss to the Government since 1960?

Mr. KILCOYNE. Under the terms of our proposal, the future interest that would be written off is an additional $40 million.

Senator BURDICK. So the two added together will be the total loss to the Government?

Mr. KILCOYNE. That is it, yes, sir.

I would like to point out to you, though, Senator, that the $200,000 a year will be coming in, too, by way of prepayment against the principal obligation which remains outstanding, and those payments will begin in 1987 and follow through until 2017, 2018, 2019. So that although the bill speaks of the forgiveness of interest, it retains the principal obligation on the bonds.

Senator BURDICK. Well, can the Kennedy Center afford to pay $200,000 a year, in view of the past history?

Mr. KILCOYNE. Yes, sir. The Kennedy Center says that it can. The GAO says that it can. And our working group, which included Kennedy Center and OMB people, say to you, recommend to you, that that is our conclusion, yes.

Senator BURDICK. And that first-year payment would occur in 1987?

Mr. KILCOYNE. That would occur in 1987 when we are confident that the Kennedy Center parking garage revenues will be adequate to bear that burden.

Senator BURDICK. Has there been any adjustment for inflation in the future?

Mr. KILCOYNE. I would like to ask Mr. Spahr to help me on that.

Senator BURDICK. Is that figure adjusted for inflation?

Mr. KILCOYNE. Yes, sir. I think the answer is at least partly yes, because we are working—our proposal would use a fluctuating interest rate for that portion of the sinking fund which would be investable. Our proposal would use an interest rate which would fluc-

tuate depending upon the economy, depending upon the rate of inflation, and would be keyed into Treasury securities, interest rates.

So I think the answer is, as I say, partly a "yes" answer. It would be keyed into inflation rate affecting interest rate.

Senator BURDICK. Under the current arrangements, the interest has not been paid?

Mr. KILCOYNE. The interest has not been paid.

Senator BURDICK. And for how long a period has that been?

Mr. KILCOYNE. The interest began to accrue in 1969. In 1968, excuse me, Senator. The interest accrued under the terms of the bonds given by the Kennedy Center to the Secretary, the interest accrued year by year, and the Secretary of the Treasury has deferred that interest year by year in recent years, with the hope that the Congress would step in, so to speak, to correct the basic problem.

Senator BURDICK. Just a minute. I was around here in 1968. There was no intention of the Congress stepping in at that time. This plan was to be solid back there in 1968. I never heard of the Congress stepping in later on. I never heard anything about that in 1968.

Mr. KILCOYNE. I am sorry. I don't think I made myself clear then, Senator. What I was trying to explain to you was why the Secretary of the Treasury had deferred the interest year by year. The Secretary of the Treasury deferred the interest year by year because the GAO reports had said the Kennedy Center was in shaky financial situation and the interest debt to the Treasury was a major problem, and that the Congress should intercede in the situation.

So that the Secretary in recent years—in recent years—was deferring the interest payments, with the expectation that the Congress would step in, so to speak, to correct the situation of the interest debt.

Senator BURDICK. What is the total amount of the interest unpaid since 1968?

Mr. KILCOYNE. That's the $29.5 million simple and compound interest unpaid.

Senator BURDICK. That would be in addition to the original cost?

Mr. KILCOYNE. That is in addition to the principal amount, yes, sir, which is the $20.4 million.

Senator BURDICK. I understand that there is 23 years to pay Uncle Sam, but that $34 million was paid by private contributions.

Mr. KILCOYNE. In terms of the original funding?

Senator BURDICK. Original.

Mr. KILCOYNE. I know that there was an appropriation of $23 million, yes. And I think the second figure was private contributions?

Senator BURDICK. The next one is $20 million. There is two payments made.

Mr. KILCOYNE. Yes, sir, that's correct.

Senator BURDICK. So that would be that the Federal Government picked up $43.4 million?

Mr. KILCOYNE. Yes; but I think it should be pointed out, too, that my understanding is that the $23 million appropriation was matched by private sources.

Senator BURDICK. That was the $34 million match.

Mr. KILCOYNE. I think so.

Senator BURDICK. As I understand it, originally private contributions to pay $34 million and Uncle Sam was to pay $23 million?

Mr. KILCOYNE. Yes; that's correct.

Senator BURDICK. Then later on, Uncle Sam kicked in another $20.4 million?

Mr. KILCOYNE. He lent that amount, yes, sir. Repayable advance.

Senator BURDICK. That totaled $43.4 million at that time.

Mr. KILCOYNE. Yes; that's a correct figure.

Senator BURDICK. Now, since that time interest has accrued in the amount of $29.5 million?

Mr. KILCOYNE. That's correct.

Senator BURDICK. And in view of that history, do you think they will be able to pay this $200,000 payment each year?

Mr. KILCOYNE. Yes, sir, we believe that will happen. That's what this working group looked at specifically. We relied on GAO audits and reports. We relied on the Kennedy Center's own records. We have done our own independent analysis. And the answer is, "yes."

And if you would allow me, Senator, I would like to say that we in the Treasury Department are not coming to you to say that this bill is the most perfect answer. We recognize that there are drawbacks. But we are coming to say to you that it is a problem which exists right now, and we need your help to solve the problem right now. If we don't do something about it now, the situation which you have been outlining for us is going to become worse, because the interest debt, according to GAO calculations, will increase enormously over the next few years and be, we are told, about $800 million by the time the principal amount comes due, begins to come due, in 2017.

Senator BURDICK. I would like to know when these things come before the committee. This came before the committee in 1960. The picture was much rosier than it is today. I think we have a right to know what's happened in the meantime and will this $29.5 million be forgiven and waived?

Mr. KILCOYNE. That's it exactly. That's the proposal.

Senator BURDICK. So it's gone. So that will be tantamount to another contribution to the Center.

Mr. KILCOYNE. That's our proposal. That's the practical effect.

Senator BURDICK. Then Uncle Sam will have in it—from these figures here—the $23 million, $20.4 million, and now $29.5 million.

Mr. KILCOYNE. Yes, sir, that's correct. But the $20.4 million was constituted of loans which will be repaid under our proposal, the principal amount of the loans, $20.4 million, will be repaid under our proposal.

The appropriation I would suggest is in a separate category, and the interest element I would also suggest is in a separate category from the $20.4 million of principal.

Senator BURDICK. But your legislation would ask for the cancellation of $29.5 million?

Mr. KILCOYNE. Yes, sir.

Senator BURDICK. Then all I have got to say is that when future projects come before this committee, I think you better analyze it very carefully, so we don't find ourselves in this position again.

Thank you.

Senator RANDOLPH. Mr. Chairman.

Senator STAFFORD. Senator Randolph.

Senator RANDOLPH. Could I ask two questions, only that the record be complete as to the use of the Kennedy Center? We have the performing arts for which tickets are purchased. How many tickets are purchased in a year. Take any year; or use last year.

The second question will be: I would like to know the number of persons that visit the Kennedy Center, not to see the performing arts, but just to see the Kennedy Center for whatever interest they might have in being at that very fine Center?

Mr. KILCOYNE. Senator, would you like the answer to that now? If so, I think I will have to defer to Mr. Stevens.

Senator RANDOLPH. Well, yes. I know Mr. Fish could help us with reference to the Park Service and Mr. Stevens for the Center.

I think for the record we want to see exactly how many people are attending the paid performances and how many are there as visitors to see the Center.

Thank you.

Senator STAFFORD. Well, I am sure that before we get through, Senator Randolph, we can get that information.

Senator RANDOLPH. Yes.

Senator STAFFORD. If there are no further questions of Mr. Kilcoyne, we will thank you very much for assisting the committee this morning.

We would ask Mr. Fish, who is Regional Director of the National Capital Region of the National Park Service of the Department of the Interior, if he would assume the witness stand.

The Chair would simply now, before he testifies, state an intention to move at some point, or ask a member who is willing to, to move to merge S. 2547, which your chairman introduced for the administration, which is the routine figure for support of the nonperforming functions, nonperforming arts functions, of the Kennedy Center, with the bill introduced by Senator McClure and others, S. 2562, adding S. 2562 to S. 2547 as the vehicle to come out of this committee.

I thought it might be well if I put that on the record as my intent and hope.

I believe, Senator Randolph, you would join me in doing that.

Senator RANDOLPH. Yes, I would, sir.

Senator STAFFORD. Thank you very much.

Now, Mr. Fish, we would be very happy to hear from you.

STATEMENT OF MANUS J. FISH, REGIONAL DIRECTOR, NATIONAL CAPITAL REGION, NATIONAL PARK SERVICE, ACCOMPANIED BY SKIP LARSON, GENERAL MANAGER FOR THE NATIONAL PARK SERVICE AT THE KENNEDY CENTER

Mr. FISH. Thank you, Mr. Chairman. I would like to introduce Mr. Skip Larson, the General Manager for the National Park Service at the Kennedy Center.

Mr. Chairman and members of the committee, I am pleased to appear before this committee to discuss the fiscal 1985 budget re-

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quest and other legislative proposals for the John F. Kennedy Center for the Performing Arts.

Section 10 of the Public Buildings Amendments of 1972 directed the Secretary of the Interior, acting through the National Park Service, to provide maintenance, security, information, interpretation, janitorial, and all other services necessary to the nonperforming arts function of the John F. Kennedy Center.

The same provision authorized funds to support such services through June of 1973. Congress has periodically extended the authority of the 1972 amendments; $4,542,000 was appropriated for fiscal 1984 for the nonperforming arts function in the appropriation act for the Department of the Interior of November 4, 1983, Public Law 98–146.

The President's 1985 budget request of $4,621,000 represents an increase of $79,000 over the 1984 fiscal year Kennedy Center appropriation, due to the 3.5-percent salary increase which was effective January 8, 1984. Without an extension of the present authorization, the National Park Service cannot continue beyond September 30, 1984, to exercise its responsibilities as required by law.

Therefore, Mr. Chairman, the administration strongly recommends the authorization of $4,621,000 requested in the budget.

Mr. Chairman, your letter of invitation also mentions additional subjects regarding the Kennedy Center, including the Center's revenue bond indebtedness, cost sharing of expenses, and responsibility for long-term structural repairs. We have monitored the work of the Treasury-OMB-Kennedy Center Board working group and defer to their recommendations on these issues.

Mr. Chairman, I would be pleased to try to answer any questions you or any of the members may have.

Senator STAFFORD. Mr. Fish, I gather from the final paragraph of your statement that you defer to the Treasury-OMB-Center Board working group, and you have no critical comments on what conclusions they have reached; otherwise, you would be stating them here.

Mr. FISH. That is correct, Mr. Chairman. And we have reviewed the GAO reports over the years, and it is clear to us that the funding is not available. I might say, too, that the Kennedy Center Board has promoted voluntarism ever since the Kennedy Center was in existence, and that is a real cost saving to the National Park Service. And last year there were 65,000 hours by 300 volunteers, which we figure was about $438,000 worth of work that was donated at the Kennedy Center.

I know from my experience over there of the very credible job that the Kennedy Center does in getting private investment in the Kennedy Center. And it just seems that the proposal that the working group has come up with is very logical and is very reasonable.

Senator STAFFORD. Thank you very much.

Senator RANDOLPH. No, thank you.

Senator STAFFORD. Senator Burdick.

Senator BURDICK. No, thank you.

Senator STAFFORD. Well, thank you very much, Mr. Fish. We appreciate very much your being here and your help with the committee this morning. We are letting you off easy on the questions.

Mr. FISH. Thank you.

Senator RANDOLPH. Mr. Chairman.

Senator STAFFORD. We were letting you off easy.

Mr. FISH. Yes.

Senator RANDOLPH. I do not want to inject something inappropriate. But while Mr. Fish is here, Mr. Fish, last year at the Harpers Ferry National Historical Park we had approximately 1 million visitors. Is that correct?

Mr. FISH. Yes, sir, Senator Randolph.

Senator RANDOLPH. And this year, how does it look?

Mr. FISH. From what we can tell here in the Washington area, it looks like it is going to be a very, very good year. I would predict that we would be over a million at Harpers Ferry National Historical Park this year.

Senator RANDOLPH. And that park has grown in its appeal to people, and I have noticed that because of its proximity, to the heart of the District of Columbia that people here are coming in numbers that they did not come in the past because of the development of the park itself.

We have a need for additional parking. Sometimes I believe as many as 300 or 400 cars have been unable to have parking on weekends.

Just for the record, would you tell today what the situation is of temporary parking until we can have a master larger plan?

Mr. FISH. We have increased the parking lot up there by about 60 or 70 cars for this year. But you are quite right, Senator, when you come across the bridge and enter into Harpers Ferry, it's a very dangerous turn. And we are working now on some plans for a satellite parking and a bus shuttle system down into the lower town, the historic town of Harpers Ferry. So we hope to remedy that situation, but we have taken some immediate steps, as you and I had discussed earlier.

Senator RANDOLPH. Yes. I remember—I shouldn't say this, Mr. Chairman—I remember when I introduced this bill a long time ago, and I had the opposition from the United Daughters of the Confederacy. They thought that I was going to have a memorial there for John Brown. That's what they said.

And I remember smiling at these lovely ladies and saying, "Well, I thought Thomas Jefferson was there before John Brown." And it was fact, of course.

It is a tremendously important park, not only for the park itself, but also for the Mather Training Center—and that is named the first Park Service Director, is that correct?

Mr. FISH. Yes, sir. Stephen Mather.

Senator RANDOLPH. That center has been training people for service in other parks in the Park Service and in distant parts of the United States. What is the number of employees that there are now?

Mr. FISH. I would probably have to get it for you for the record, Senator Randolph. But it is probably close to 500. The Stephen Mather Training Center trains our rangers and interpreters, our maintenance people involved in historic preservation all over the country, and the Interpretive Design Center does provide the exhibits, the films, for parks all over the system throughout the coun-

try. So it is a vital program of the National Park Service there at Harpers Ferry.

And of course, as you say, the town itself and the story it tells of the Civil War and the story it tells of the Armory there and the flooding that occurred there, is a very vital story.

[The following was subsequently supplied:]

There are currently 195 employees at Harpers Ferry Center, 8 at Mather Training Center, and 86 at Harpers Ferry National Park.

Senator RANDOLPH. May I say that the General Accounting Office says that the use of the Kennedy Center building for performances has increased since the cost-sharing agreement was developed in 1971. GAO indicates that on this basis the Center's share of operating and maintenance funds should be 30.60 percent instead of 23.8 percent.

Is that a conclusion with which you agree?

Mr. FISH. Well, that is, Senator, the original formula was based on a certain number of days and a certain number of hours that the performing arts would occupy the Center, so to speak, and then that was compared to the total number of hours. The total number of hours that the Center was open at that time was 105 hours a week. I believe the time attributable to the performing arts was 25 hours a week. And what has happened is that the Center does not stay open as long right now, so that it's 14 hours a day rather than the original 15 hours a day.

So that the mathematics just gives you a higher figure than the 23.8 percent.

Senator RANDOLPH. Thank you very much.

Senator STAFFORD. Thank you, Mr. Fish.

Mr. FISH. Yes, sir, Mr. Chairman.

Senator STAFFORD. The next witness will be Mr. William Anderson, Director, General Government Division of the General Accounting Office.

Mr. Anderson, we have your full statement. We will place it in the record, and we will leave it to your discretion as to whether you read it or summarize it.

STATEMENT OF WILLIAM ANDERSON, DIRECTOR, GENERAL GOVERNMENT DIVISION, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY AL DE FAZIO, AUDIT MANAGER AND BERNARD ANDERSON, AUDITOR IN CHARGE

Mr. ANDERSON. Thank you, Mr. Chairman. I would prefer to summarize it briefly. Let me start, though, by introducing the gentlemen at the table with me. To my right is Al de Fazio. In GAO's lingo, Al was audit manager on this as well as some other assignments. To my left is Bernard Anderson, who was the auditor in charge of the work that led to the report referred to earlier.

Let me just briefly summarize the overall financial situation of the Kennedy Center as reflected in our report, Mr. Chairman.

Basically, what the report demonstrates is that the Kennedy Center currently and into the foreseeable future will not be generating sufficient revenues to service the interest on its loans. The interest, as you know, consists of two parts. There is the simple interest on the original indebtedness of $20.4 million. That currently

runs about $1.2 million a year, $1.174 million, I think, to be precise.

In addition, they pay interest on interest. And the interest rate on that is figured at the rate on 1-year T-bills, which is about 9.75 percent currently. And that is really what is causing this escalation. For example, in 1984 indebtedness will increase about $1.2 million on the original obligation, and another $2.7 million or so in interest on interest. And despite a significant improvement in their cash flow in the last couple of years and additional anticipated improvement when they finally retire the loans from American Security Bank, in net they are going to be ab t $500,000 ahead of where they were, say, in 1983. Even with this improvement, they will be unable to service the interest on the original indebtedness. That is the problem that we posed to the Congress in our 1980 report as well as in our current report.

We also bring out that there also have been increases in the operating expenses paid by the Center. Although they are obtaining a much larger share of the garage revenues now as a result of finally paying off their indebtedness to APCOA, part of the increase is being eaten up by increased operating expenses.

So we certainly have no objection to recognizing that, as things stand, there is no reasonable foreseeable opportunity for the Center to repay the interest on the interest.

Let me stop right there, sir, and I will be glad to answer any questions.

Senator STAFFORD. One that has occurred to me as I have listened so far to the testimony, and that is: Who holds the original bonds? Who are the bondholders?

Mr. ANDERSON. The Government of the United States, sir. In other words, the Treasury Department in behalf of the Federal Government has a memo entry on its books that reflects a bond receivable of $20.4 million.

Senator STAFFORD. So to quote an old phrase, "They is we," in this case.

Mr. ANDERSON. That is correct, sir.

Senator STAFFORD. All right.

In your prepared statement you state that GAO has prepared estimates of alternative payment schedules. Would you submit these for the record?

Mr. ANDERSON. Yes, we will, sir. [See pp. 37–54.] I know the question was raised earlier about the $200,000 a year.

Senator STAFFORD. Yes.

Mr. ANDERSON. There are other estimates that could be made concerning the return, reasonable returns, to the money invested in the sinking fund. Seven percent may be even a little conservative. But the legislation does provide for periodic reconsideration of the reasonableness of the amounts being put into the fund.

Senator STAFFORD. I may have one or two other questions that I will submit to you in writing, Mr. Anderson, if that is agreeable. And we would appreciate an answer at your earliest convenience if we do that or other members do it, because the Chair intends to schedule this for markup in committee next week.

Mr. ANDERSON. That will be fine, sir.

Senator STAFFORD. We can then expedite the whole matter.

Mr. ANDERSON. We certainly shall.

Senator STAFFORD. Senator Randolph, do you have questions?

Senator RANDOLPH. No, Mr. Chairman, except to say that I think there is a national treasure in the Kennedy Center, and I think that the building in itself is not enough. I love to go to the Lincoln Memorial and the Jefferson Memorial to study those two structures and the words of Jefferson implanted there in the marble. I look at it at night very closely. And all of this is wonderful, but this is a living memorial, and I have to say that something is going on constantly there at the Kennedy Center. Generally, I think it adds to the intellectual well-being and certainly to the cultural values, which are very important as well as the history that we have in other institutions in the Nation's Capital.

Senator STAFFORD. Thank you very much, Senator.

Thank you, Mr. Anderson. I appreciate your coming up here.

Mr. ANDERSON. Thank you, Senator.

Senator STAFFORD. Our final witness will be Mr. Roger Stevens, who is Chairman of the Board of Trustees of the John F. Kennedy Center for the Performing Arts.

Mr. Stevens, we have your full statement, which we will make a part of the record, and the accompanying documents we will make a part of the record by reference.

And we will also make part of the record by reference the General Accounting Office report entitled "Financial Problems of the John F. Kennedy Center for the Performing Arts Need To Be Addressed," dated April 11, 1984.

Having said that, the floor is yours, Mr. Stevens.

STATEMENT OF ROGER L. STEVENS, CHAIRMAN OF THE BOARD, JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS, ACCOMPANIED BY THOMAS KENDRICK, DIRECTOR OF OPERATIONS; AND HARRY McPHERSON, COUNSEL

Mr. STEVENS. Well, Mr. Chairman, thank you very much. On my right is Mr. Kendrick, Director of Operations at the Kennedy Center. On my left is Harry McPherson, who is counsel.

I am going to, since a number of the points in my testimony have already been stated, attempt to leave them out and just hit the high points. And if I have confused anyone, I can try to cover it with the questioning.

But we are pleased to have this opportunity to testify on behalf of the proposed legislation initiated by Treasury, cleared by OMB, and approved by the Center's Board of Trustees, and to resolve the longstanding and complex issues involved in the Center's repayment of original construction bonds held by the Secretary of Treasury.

This legislative proposal was developed over several months by the working group convened by Treasury and composed of the representatives of that department and the Office of Management and Budget, and the Kennedy Center.

The proposed amendments to the Kennedy Center Act, I think, have now been sufficiently explained to you, so I think, I won't repeat them.

I will say that the Kennedy Center concurs with GAO's conclusions consistently expressed in three reports, including its current one, that only Congress can make the judgments necessary to resolve this matter and that a comprehensive solution is necessary, which balances the Center's ability to meet its construction bond obligations against its share of building operating costs and the unique statutory responsibilities as a national cultural center and a living Presidential memorial.

I would like to insert for the record a detailed statement of background information on this matter.

The Treasury, after years of routinely deferring payment on the rapidly compounding Federal interest on the bonds, has informed the Center that it will not continue to defer interest payments beyond the end of 1984. Compound interest is mounting at nearly more than $4 million annually, and such sums are clearly beyond the Center's financial resources, a fact confirmed by GAO and all Federal departments and agencies who have been involved in forging the consensus recommendations now before you.

It is deeply important to stress that the Center has operated narrowly in the black and met a broad congressional mandate for performing arts and public service programing, without request for direct Federal subsidy, for the past 12 years.

Treasury itself has stressed that it would be totally inconsistent with the Center's unique status to declare it in default, an action which could have substantial negative impact on the Center's nationally recognized success in relying on the private sector to balance its budget.

The resolution of this Treasury bond issue is particularly important to the Center at this time because, without such action, the Center cannot proceed to mount an effective endowment drive, key to long-range financial stability and continued success as the model of private-sector support for its programing.

GAO's 1984 report points out that both building operation costs are shared with the Park Service, and those paid entirely by the Center, have increased materially since their last review of the Center's operations in 1980. The 1984 report concludes that under the terms of the 1971 formula the Center is now paying somewhat less than its full share. But the Center's direct payments to the Park Service, more than $1 million in 1984, have increased 63 percent since 1978, and an upward adjustment in the Center's shared percentage, as confirmed by GAO, would cost the Kennedy Center literally about $60,000 more for each point that it was raised. I think if we go back to that 30-percent deal that has been mentioned in the past, that would be another $300,000 that we would have to pay, not allowing for inflation. So, it goes up more and more.

GAO itself cautions that any solution requiring the Center to pay more to the Park Service for operating costs would, in turn, affect our ability to meet other financial obligations, resulting in fewer funds available for performing arts and public service programing or debt service.

An important and relatively new factor here, which the GAO report clearly recognizes, is that the Center's costs of maintaining its five theaters and massive backstage dressing room, rehearsal

and office areas, for which the Center is solely responsible, have soared. This reflects the building's intensive use for more than a dozen years by millions of patrons and tourists.

These expenses were negligible in the Center's early years, but in fiscal 1983 it expended $535,000; by contrast more than $2.7 million is allocated in fiscal 1984, including more than $1.6 million raised from private sources for the full-scale renovation of the Opera House.

Clearly, judgments involving the Center's fair share of overall building operating costs can no longer be based solely on those it shares with the Park Service.

Further, the working group recognized that performing arts production costs, for which the Center now requests no Federal programing support, have increased sharply over the past 5 years, reflecting a national trend.

Today there is no possibility that most classical music events, opera and ballet, can be presented without substantial private subsidy beyond box-office receipts. And the essentially handcraft nature of the arts is making this increasingly true of theater as well.

Escalating fixed costs have obviously placed enormous financial strain on the Center's ability to continue to meet its statutory responsibilities for performing arts, education, and public service programing—programing mandated by the Congress, which the Center must rely in large measure on private-sector support to fulfill.

I am submitting a full summary of the Kennedy Center's many free, low priced, and national outreach programs for 1984 for the record and for your review. [See p. 62.]

The dramatic increases in programing production expenses and the Kennedy Center's own solely financed theater maintenance costs represent relatively new financial trends that were not really apparent when we testified here previously. These factors could not be foreseen by the 1980 GAO report, and are only partially reflected in GAO's current review which focuses primarily on financial data for the period of 1978 to 1982. These sharp cost increases, most visible in fiscal year 1983 and fiscal year 1984, seem likely to continue on an upward line in the future and represent a major departure from the picture of the Kennedy Center's finances presented to this committee in 1979.

The increases in costs that I have described have been offset only by an equally dramatic increase in the Center's fundraising over the last 5 years from about $1 million to $6 million budgeted for fiscal year 1984.

Many believe the Center will be hard pressed to maintain this level of subsidy for programing and building operating costs in the years to come.

The Kennedy Center also is carefully administered, with a minimum of overhead. While the CPI inflation rate for fiscal years 1978 to 1983 was on the average of 8.9 percent, the Kennedy Center's general and administrative expenses have experienced an average growth of only 4.7 percent. Concession income, such as the Kennedy Center's garage revenue, is directly dependent on performance attendance, and because its use is unrestricted, is critical to the Center's future financial operation.

Careful management of both income and expenses in addition to an unprecedented increase in private contributions has enabled the Center to remain solvent through a 5-year period of rapid inflation and substantial consumer resistance to higher ticket prices.

It is also important to note that the Treasury's proposed mechanism for prepayment of the bonds and principal, a sinking fund, is a key recommendation in GAO's 1984 report. The findings of this latest report echo the agency's 1980 conclusion that only Congress can make both the value judgments and tradeoffs required to resolve the situation. The increases in maintenance costs at the Kennedy Center—either solely absorbed or paid to the National Park Service strengthen GAO's conclusion that a comprehensive solution must be developed for the Center's financial problems.

Let me stress once again in closing, that resolution of the Treasury bond issue is particularly important to the Kennedy Center at this time. Treasury has stated firmly that it will not continue deferral of the massive interest due on these bonds, and an endowment, as I have said, is key to the Center's long-range financial stability within the private sector.

A planning committee made up of trustees and top corporate leaders has been working toward this purpose, but it will be virtually impossible to undertake an effective endowment drive while this Treasury debt remains unresolved.

The proposed amendments would effectively guarantee that Treasury will have sufficient funds to retire the bonds as they mature, beginning in 2017. Waiver of Federal compound interest on a Federal loan on a federally owned building would allow the Center to launch its endowment campaign and help insure that in the years ahead the Center will be able to continue to fulfill its mandate as a living memorial without altering its basic reliances on the private sector.

Thank you, sir, and I would be happy to answer any questions that you might have.

Senator STAFFORD. Thank you, Mr. Stevens.

For the record, you might identify your two colleagues who are here at the table with you.

Mr. STEVENS. This is Thomas Kendrick, Director of Operations; and Harry McPherson, counsel to the Center.

Senator STAFFORD. Thank you.

The Kennedy Center essentially operates four theaters, as I recall; three on the main floor and one smaller one at a higher level. Am I correct in that?

Mr. STEVENS. That's right, sir. There is also a movie theater that is operated by the American Film Institute.

Senator STAFFORD. So that keeps you and your colleagues pretty busy, with four theaters to worry about as well as the garage down below.

Mr. STEVENS. Yes, and strangely enough, there are quite a few other things too, sir, that one finds you can worry about in an operation of this kind.

Senator STAFFORD. Well, we understand that, believe me. We can do the same thing up here.

For Senator Simpson, he wanted to know this: The Senate in 1980 approved a different formula addressing this persistent finan-

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cial problem that has been outlined here today. Do you prefer the new proposal that is before us now over the formula proposed back in 1980?

Mr. STEVENS. Well, sir, in the first place, I think conditions are so different between now and the time that proposal was before Congress that a number of new factors have entered the picture, and a comparison on it would now be very hard to make.

Senator STAFFORD. Yes.

Mr. STEVENS. It really is startling to see the increase in costs of production—for example, there was "Annie," which we fortunately had to bail somebody out of. We got into it and it supplied quite a lot of revenue for us for a while. It cost $750,000 to put on. That was cost of a musical then—and that was about 5, it might have been 6, years ago. The cost of a musical today is estimated to be between $3 or $4 million. And they have gone as high as $5 million and so forth.

Plays that you could do for $125,000 now take $250,000 or more. And there is a whole different ball game being played.

And then one of the things that, of course, I never agreed with was the fact that the use of the building has been increased, which was mentioned in GAO, it's been increased because we do so much public service. And public service is mandated in our Act. It's section 4. A number of things that we are supposed to do. But it's very silent on where the money is to come from to do them.

So we have always sort of justified our ability to pay the interest on the construction bonds—or maybe salved our conscience—by saying, "Well, we're supplying all these programs free for the Government, and maybe the Government should look at our interest problems with tolerance."

Senator STAFFORD. Well, to sum up, then, I would gather the circumstances that the Kennedy Center is in today, plus the agreement now reached in the various branches of the Federal Government, would they not make the solution proposed by everybody this year more attractive than the 1980 solution would be?

Mr. STEVENS. Yes, and there is a big difference which doesn't appear on the surface. In the 1980 proposal the Park Service would have taken over the maintenance to the stage line in the theaters, which would be quite an immense relief in terms of dollars. For example, we're about, as I mentioned before, to embark on a $1,600,000 renovation of the Opera House. We are supposed to be a showplace for the rest of the world, but if you have been there recently, you have noticed that there are splits in the wallscaping and that the seats are nearly worn out. Even the Presidential box was shabby. We had to do something about it.

I mean I would not think this country would want as its showplace, an arts center that wasn't the best we could have to represent the United States as a whole.

So that was a big difference and would make up for what appears, at least in our opinion, any possible gain that might result from keeping the sharing formula where it is. That is really why I say that I don't think that the two propositions are comparable today, but the important factor in money terms is that one.

Senator STAFFORD. Well, thank you very much.

One final question. As the Kennedy Center ages, major structural repairs may be required. Has the Center made any provisions to meet such demands as they might arise?

Mr. STEVENS. Well, it's in our budget every year, and we have raised the money for the Opera House, as I said before. And it will be well over a million for other maintenance this year. When we started out, Mr. Chairman, acting from my experience in the real estate business I set up a reserve category every year, but unfortunately we were never able to generate enough funds to build an actual reserve, but it is very good practice to at least set aside so much every year for it, because maintenance is necessary, though the exact amount in any given year is unpredictable. It is a very uncertain factor and can't be budgeted with certainty in the same way that a building's depreciation is scheduled.

Senator STAFFORD. Let me address one more question here for Senator Randolph, and that has to do with the attendance. If you have the figures, in an average week, indicate what the attendance in the Kennedy Center for theatrical performances might be.

Mr. STEVENS. Well, Mr. Kendrick has the figures, which would be better than my memory.

Senator STAFFORD. Certainly.

Mr. KENDRICK. It's difficult to give it by the week. But the attendance—just to give you the total figures—has been 48 million visitors through the end of calendar 1983. And there have been 16.5 million patrons since the Center opened in 1971.

On an annual basis, let's say, 1.3 to 1.4 million patrons, plus say, 2.3 to 2.4 million visitors.

Senator STAFFORD. When you say "visitors," are you talking about people who attend the theaters?

Mr. KENDRICK. No. Patrons are those who attend, performances in the theatres. I was giving you a patron count. It's hard, of course, to separate. Some tourists obviously go to the theaters.

Senator STAFFORD. Sure.

Mr. KENDRICK. But if you take the number of performance attendees at, say, 1.3 or 1.4 million, and then you take, say, 3.7 million for the total number of people who come to the Center during the year—then you subtract those numbers and you will get roughly 2.3 to 2.4 million for visitors who are tourists or people visiting the building for other purposes than attending a performance.

Senator STAFFORD. All right. Thank you very much indeed.

I think there may be a question or two in writing that may be submitted to you by some member who now is unable to be here. And the Chair's intention will be to call this up for markup at the next available time slot in our committee so that we can move expeditiously.

It is also the Chair's intention to ask the committee staff to merge, as I indicated earlier, the two bills in front of us and prepare a clean bill incorporating both S. 2547 and S. 2562 for the committee's consideration in markup.

It is the Chair's understanding that Senator Randolph will cosponsor the proposed legislation. I believe the other members who were here today will do so also.

Gentlemen, we thank you very much for joining us.

Mr. STEVENS. Thank you, sir, for your consideration, and we appreciate it very much.

Senator STAFFORD. Thank you.

The committee is adjourned.

[Whereupon, at 1:28 p.m., the committee was adjourned.]

[Statements submitted for the record and the bills S. 2547 and S. 2562 follow:]

FOR RELEASE ON DELIVERY
Expected at 10:00 a.m.
April 26, 1984

STATEMENT OF JOHN KILCOYNE
ASSISTANT FISCAL ASSISTANT SECRETARY OF THE TREASURY
BEFORE THE SENATE COMMITTEE ON
ENVIRONMENT AND PUBLIC WORKS

Mr. Chairman and Members of the Committee:

I am glad to be here this morning to discuss the Treasury Department's role under section 9 of the John F. Kennedy Center Act (Public Law 88-260, January 23, 1964), and our position on proposed legislation under consideration by the Committee that would address the Center's indebtedness to the United States.

Background

Section 9 of the Act authorized the Center's Board of Trustees to issue revenue bonds to the Secretary of the Treasury in an amount not to exceed $20.4 million. The proceeds were to be used to finance the Center's parking facilities. The bonds were to be repaid from revenues accruing to the Center. Interest on the indebtedness was to reflect the then-current cost of market borrowings by the Treasury. The Act permitted deferral of payment of the interest with the approval of the Secretary of the Treasury, but stipulated that interest payments so deferred would bear interest after June 30, 1972. Attachment A to my statement shows the obligations, the year the funds were advanced, the interest rates on the obligations, and their maturity dates.

Bond Provisions

The bonds provide that principal and interest are to be paid from Center parking revenues. However, because these revenues were insufficient to meet the annual simple interest of $1.2 million on the bonds, the Center's Board, in December 1968 and annually thereafter, requested and was granted a deferral of the interest by the Secretary of the Treasury. Attachment B shows the computation of deferred interest from December 31, 1968 to December 31, 1983. The Treasury's Under Secretary for Monetary Affairs has authorized an interest deferral through December 31, 1984. That is the final date through which interest will be deferred by the Treasury.

Center's Financial Status

The Department has known for several years that the Center lacks a sufficient revenue base to meet its deferred-and simple-interest obligations on the revenue bonds. The Center's interest deferral requests were one indication. As well, in late 1977, and periodically thereafter, the Comptroller General transmitted to the Secretary of the Treasury the Congressionally-mandated reports of the General Accounting Office on the financial operations of the Center. The reports pointed out that one of the Center's largest financial obligations is the interest owed to the Treasury on the revenue bonds. The reports concluded that only the Congress can determine the "future financial course" of the John F. Kennedy Center for the Performing Arts. We concurred in that assessment, recognizing that an accommodation between the Center and the Treasury would be required. We also supported previous Congressional attempts to remedy the problem--principally S. 1532 of the 96th Congress.

Working Group

In August 1983, the Fiscal Assistant Secretary of the Treasury, at the direction of Under Secretary Beryl Sprinkel, formally notified the Center that an interest deferral beyond December 31, 1984 would not be granted. At that time the accrued interest was almost 150% of the bond principal, and the Department felt that the issue should be addressed. A Treasury-chaired working group was formed with representatives from the Office of Management and Budget, and the Kennedy Center. The Group was charged with assessing the financial realities of the Center's operations and with developing recommendations to deal with the indebtedness problem.

Results of Study

After a thorough analysis of the Center's financial statements and data provided informally by the GAO's General Government Division from a preliminary report on the Center's finances, the group concluded: (1) that the Center's garage revenues will never be sufficient in the foreseeable future, given the vagaries of the Center's revenue equation, to meet even the simple interest on the bonds (in 1987, the Center's share of the revenues is projected at less than $800 thousand); (2) that granting further deferrals of interest would be totally inconsistent with the financial realities of the Center's operations (in 1983, its surplus of $117 thousand was only slightly more than four-tenths of one percent of its total operating budget); and (3) that requiring the Center to meet the interest obligation from theater income would threaten its existence as a national center for the arts. (Unaudited 1983 figures show that the Center's theater operations resulted in a deficit, prior to public-support funds, of almost $6.6 million.) The working group's analysis also pointed up that the private

fund-raising activities of the Center appear to be near the outer percentage limits--about $6 million in this fiscal year. We also agree with the Center's argument that a portion of the garage income is desperately needed to help finance general administrative overhead for a structure that is beginning to require more preventive maintenance within their five theater areas and within their administrative office space--all areas for which the Center is solely responsible.

Proposed Solution

We recognize that there may be alternative ways to solve the Center's financial dilemma. However, we believe that the bill represents the cleanest, most feasible approach, and is based on Executive-branch consensus. We also recognize that proposed legislation involving the Center invites a wide range of questions and even challenges--which may well be legitimate--but which are beyond Treasury's responsibility and do not bear directly on the unpaid-interest issue which is our responsibility. The proposed legislation now before the Committee would (1) recognize the Center's ongoing intent to pay the bond principal, (2) authorize the waiver of all accrued and future interest on the bonds, and (3) establish a sinking fund in Treasury for repayment of the bond principal over a thirty-year period. Fixed annual payments of $200,000 would be made to the fund by the Center, and the Secretary of the Treasury would invest the balance in public debt securities with maturities comparable to those of the revenue bonds.

These invested balances, assuming average interest rates of approximately 7% over the 30-year period, would be sufficient to retire the bonds beginning in the year 2017. (In a recent draft audit report on the Center, the GAO also made a finding that a sinking fund could, logically, be used to retire the bonds.) The proposed legislation also provides for a memorandum of understanding between the Center and the Treasury for effecting a final settlement of the indebtedness should the ending fund balance not exactly match the remaining obligation. Payments into the fund would begin on January 1, 1987, when the current loan obligation secured by garage revenues is scheduled to be repaid.

Administration Support

The Department supports the proposed legislation, and the other members of the working group concur in this approach. We understand that the Department of the Interior has no objection to the proposal. We urge its passage in this Congress so that the Center can devote full attention to its primary mission of expanding and improving the arts in our nation's capital. To delay a resolution of the financial problem would, in our view, create an undesirable choice for the Treasury Department of pressing its claim against the Center or prolonging a clearly untenable status quo--which can only get worse. It would also,

given the current publicity of the issue, redound unfavorably on the Center's ability to pursue an aggressive arts program for the capital city. I close by reconfirming the Treasury policy on the granting of interest deferrals on the Kennedy Center loans. Mr. Chairman, I have a statement from Under Secretary Sprinkel on that point which I will be glad to offer for the record.

That concludes my prepared statement, Mr. Chairman. I will be glad to respond to any questions.

Attachments

Attachment A

John F. Kennedy Center for the Performing Arts
Loans, John F. Kennedy Center, Parking Facilities
Revenue Bonds - 12/31/83

Rate	Bond No.	Due Date	Calendar Year Advanced	Accrued Face Amount	Interest to December 31, 1983 From	No. of Days To	Interest
5-1/8%	2-5	12/31/2017	1968	3,800,000	12/31/82	1 yr	194,750.00
5-1/4%	1-6	12/31/2017	1968	2,900,000	12/31/82	1 yr	152,250.00
5-3/8%	7 & 8	12/31/2017	1968	1,200,000	12/31/82	1 yr	64,500.00
5-3/4%	9 & 10	12/31/2018	1968	2,200,000	12/31/82	1 yr	126,500.00
5-7/8%	11 & 14	12/31/2018	1969	4,300,000	12/31/82	1 yr	252,625.00
6%	15	12/31/2018	1969	1,000,000	12/31/82	1 yr	60,000.00
6-1/4%	16 & 17	12/31/2018	1969	1,300,000	12/31/82	1 yr	81,250.00
6-1/2%	18 & 19	12/31/2018	1969	1,900,000	12/31/82	1 yr	123,500.00
6-5/8%	20	12/31/2018	1969	800,000	12/31/82	1 yr	
	21	12/31/2019	1970	1,000,000	12/31/82	1 yr	
				1,800,000			119,250.00
	GRAND TOTAL			20,400,000			1,174,625.00

Attachment B

John F. Kennedy Center - Deferred Interest
Revenue Bonds - 12/31/83

Year Deferred	Interest Deferred	Deferred Rate	Interest on Deferred Interest	Int. on Deferred Interest Deferred
12/31/68	$ 114,176.57	5-1/2%	$ 6,279.71	
12/31/69	775,852.06	7-1/8%	55,279.46	
12/31/70	1,152,844.18	6-5/8%	76,375.93	
12/31/71	1,174,625.00	5-7/8%	69,009.22	
12/31/72	1,174,625.00	6-1/8%	71,945.78	
12/31/73	1,174,625.00	6-7/8%	80,755.47	
12/31/74	1,174,625.00	7-3/4%	91,033.43	
12/31/75	1,174,625.00	7-1/2%	88,096.88	
12/31/76	1,174,625.00	6-1/8%	71,945.78	
12/31/77	1,174,625.00	7%	82,223.75	
12/31/78	1,174,625.00	9-7/8%	115,994.22	
12/31/79	1,174,625.00	12-7/8%	151,232.97	
12/31/80	1,174,625.00	13-5/8%	160,042.66	
12/31/81	1,174,625.00	13-5/8%	160,042.66	
12/31/82	1,174,625.00	9-1/8%	107,184.53	
	$16,138,372.81		$1,387,442.45	
Interest on Deferred Interest Deferred	12/31/72	6-1/8%	$ 103,472.16	$ 6,337.66
	12/31/73	6-7/8%	285,227.76	19,609.41
	12/31/74	7-3/4%	385,592.64	29,883.43
	12/31/75	7-1/2%	506,509.50	37,988.21
	12/31/76	6-1/8%	632,594.59	38,746.42
	12/31/77	7%	743,286.79	52,030.08
	12/31/78	9-7/8%	877,540.62	86,657.14
	12/31/79	12-7/8%	1,008,191.98	139,074.72
	12/31/80	13-5/8%	1,370,499.67	186,730.58
	12/31/81	13-5/8%	1,717,272.91	233,970.43
	12/31/82	9-1/8%	2,111,294.00	192,655.50
			$9,813,482.62	$1,023,691.66

SUMMARY

Interest 12/31/83	$ 1,174,625.00
Deferred Interest to Date . . .	16,138,372.81
Interest on Deferred Interest .	11,200,925.07
Int. on Deferred Int. Deferred.	1,023,691.66
	$29,537,614.54
Principal Owed	20,400,000.00
Total Owed 12/31/83	$49,937,614.54

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, DC 20548

FOR RELEASE ON DELIVERY
EXPECTED AT 10:00 A.M. EST
APRIL 26, 1984

STATEMENT OF

WILLIAM J. ANDERSON

DIRECTOR, GENERAL GOVERNMENT DIVISION

BEFORE THE

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

UNITED STATES SENATE

ON

THE JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

Mr. Chairman and Members of the Committee:

We are pleased to be here today to assist your deliberations of legislative proposals concerning the Kennedy Center. On April 11, 1984, we provided your Committee with our report detailing the Center's financial operations and assessing its ability to meet operating costs and long-term liabilities. Today, I would like to focus on three areas of particular concern to your Committee:

--the Center's revenue bond indebtedness to the federal government and the accrued interest obligation stemming from these bonds,

--the appropriate cost sharing of operating costs between the Kennedy Center and the National Park Service, and

--the responsibility for long-term structural repairs.

BOND OBLIGATIONS AND MOUNTING INTEREST DEBT REQUIRE RESOLUTION

The most serious financial problem facing Kennedy Center officials is the Center's growing total bond indebtedness, which amounted to $49 million at the end of fiscal year 1983. This debt originated in 1968 when the Board of Trustees began issuing $20.4 million in revenue bonds to help finance construction of the Center's parking facilities. These bonds are held by the U.S. Treasury, and the principal and annual interest were to be paid with revenues from the Center's parking operations.

The Center, however, has not made any annual interest payments on the revenue bonds since 1968, and no provisions have been made for repaying the principal. Parking revenues

instead have been used for normal operating expenses and to repay two other loans secured to complete financing of the parking facility. The yearly interest payments on the revenue bonds have been annually deferred by Treasury, and interest continues to be charged on the deferred amount.

This continual deferral has resulted in a $29 million accrued interest debt at the end of 1983. If annual interest payments continued to be deferred, this total will almost double to $50 million by 1988. By 2017, the first year of bond maturity, the total accrued interest would total $800 million.

Under the current circumstances there is little possibility that the Center will ever be able to completely repay its total bond indebtedness while maintaining normal operations and present programming responsibilities. To date, net revenues from the parking facility have not even been sufficient to pay the annual simple interest on the revenue bonds. Recognizing the insufficiency of the Center's revenue base to meet its accrued interest obligations, Treasury officials established a working group with officials from OMB and the Kennedy Center to frame a solution to the Center's indebtedness.

One solution included in our report, and proposed by these officials, is the need to establish a sinking fund to retire the $20.4 million principal of the revenue bonds. This would involve requiring the Center to make annual payments of about $200,000 into the fund beginning in fiscal year 1987 and ending in 2017 when the bonds reach maturity. By 1987 the Center is

scheduled to have repaid other loans secured with parking revenues, and the increase in such revenues should enable the Center to help meet operating costs and make the sinking fund payments.

Another proposal of the Treasury working group is to waive the Center's accrued interest obligation and remove the requirement for future interest on the revenue bonds. This would leave only the principal on the revenue bonds for the Center to repay and requires a policy decision by the Congress. In arriving at this decision, the Congress may want to consider other alternatives short of eliminating all interest obligations, such as

--waiving past accumulated interest but requiring that future interest be paid,

--eliminating requirements for future interest but mandating payment of interest already accrued, or

--requiring that all past and future simple interest be paid but terminating the compound interest arrangement currently in effect.

If the Congress decides to recoup such interest earnings on the revenue bonds, a repayment plan could be developed without significantly affecting the Center's revenue position. This could be accomplished primarily by requiring payments beyond the bond maturity date for whatever amount is deemed appropriate. We have prepared estimates of alternative payment schedules and would be happy to share them with the Committee.

COST SHARING ARRANGEMENTS
NOT REFLECTIVE OF CURRENT SITUATION

I would like to turn now to another topic of interest to the Committee--cost sharing arrangements between the Center and the National Park Service. The allocation of operating costs between the Center and the National Park Service is based on a rather simple formula which computes the percentage of time the Center is open for activities such as theatrical performances versus the time the Center is available for public memorial purposes. The present cost sharing arrangement, which is based on data developed at the time the Center first opened, assigns about 24 percent of the costs to the Center. However, if the formula is revised to reflect current estimates of the Center's usage its proportion of total costs would be about 31 percent.

On this basis, the Center's share of fiscal year 1982 operating expenses would have been about $277,000 more than was reimbursed to the Park Service. While the current arrangement does not accurately reflect the Center's present usage, changing the cost sharing ratio is intertwined with resolving the indebtedness problem because of the Center's limited ability to absorb additional costs. Any decision to increase the Center's payment would decrease its ability to meet other financial obligations, including retiring bond indebtedness and meeting the escalating cost of maintaining the theaters and administrative offices.

NO PROVISIONS MADE FOR
LONG-TERM STRUCTURAL REPAIRS

Another related issue is the liability for long-term structural repairs of the Kennedy Center. Presently, financial responsibility for major structural repairs, alterations, and reconstruction resides with the Center's Board of Trustees. The Board, however, has not set-aside sufficient reserves to cover such costs, and Park Service officials advise that problems could develop in the next 6 to 8 years because of the Center's age.

In the only case to date where structural repairs were required, the Center requested congressional assistance. In turn, the Congress provided $4.5 million to the Park Service to make the necessary repairs.

Center officials argue that the responsibility for structural repairs should be formally transferred to the Park Service because the Center is a national memorial. Such responsibility, however, has not been extended to the Park Service. As a result, unless Kennedy Center officials establish adequate reserves, the Congress will be petitioned to supply funds for future repairs, regardless of where responsibility is vested.

In summary, Mr. Chairman, a number of important financial issues confront the Kennedy Center and the Congress, and we would be pleased to continue to assist the Committee in arriving at a solution. I would be happy to answer any questions you might have.

36 YEAR SINKING FUND FOR THE JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

IN THE TABLE BELOW WE DISPLAY THE AMOUNT OF THE ANNUAL PAYMENTS INTO A SINKING FUND THAT WOULD BE REQUIRED TO PAY OFF THE PRINCIPLE OF $10,400,000 ON THE REVENUE BONDS. THE PAYMENTS ARE DISPLAYED FOR SEVERAL INTEREST RATES AS INDICATED IN THE FIRST COLUMN. THE BASIC ASSUMPTIONS ARE:

1. THE FIRST ANNUAL PAYMENT IS MADE ON DECEMBER 31, 1984
2. SUCCESSIVE ANNUAL PAYMENTS ARE MADE ON DECEMBER 31.
3. THE FINAL PAYMENT IS MADE ON DECEMBER 31,2019.
4. THE INTEREST RATE REMAINS THE SAME FOR THE ENTIRE 36 YEAR PERIOD.

ASSUMED INTEREST RATE	ANNUAL PAYMENTS MADE EACH DECEMBER 31 BEGINNING IN 1984 THROUGH 2017	IN 2018	IN 2019
5 %	$ 230627	$ 137759	$ 10435
5.5 %	$ 208054	$ 124079	$ 9367
6 %	$ 187422	$ 111595	$ 8395
6.5 %	$ 168613	$ 100230	$ 7514
7 %	$ 151500	$ 89906	$ 6716
7.5 %	$ 135963	$ 80548	$ 5995
8 %	$ 121885	$ 72083	$ 5345
8.5 %	$ 109151	$ 64438	$ 4761
9 %	$ 97653	$ 57548	$ 4236
9.5 %	$ 87287	$ 51347	$ 3765
10 %	$ 77957	$ 45775	$ 3344
10.5 %	$ 69571	$ 40776	$ 2967
11 %	$ 62043	$ 36297	$ 2631
11.5 %	$ 55295	$ 32289	$ 2331
12 %	$ 49251	$ 28706	$ 2065
12.5 %	$ 43844	$ 25506	$ 1827
13 %	$ 39012	$ 22653	$ 1617
13.5 %	$ 34698	$ 20109	$ 1430
14 %	$ 30848	$ 17845	$ 1264
14.5 %	$ 27416	$ 15829	$ 1117
15 %	$ 24359	$ 14037	$ 986

35 YEAR SINKING FUND FOR THE JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

IN THE TABLE BELOW WE DISPLAY THE AMOUNT OF THE ANNUAL PAYMENTS INTO A SINKING FUND THAT WOULD BE REQUIRED TO PAY OFF THE PRINCIPLE OF $10,400,000 ON THE REVENUE BONDS. THE PAYMENTS ARE DISPLAYED FOR SEVERAL INTEREST RATES AS INDICATED IN THE FIRST COLUMN. THE BASIC ASSUMPTIONS ARE:

1. THE FIRST ANNUAL PAYMENT IS MADE ON DECEMBER 31, 1985
2. SUCCESSIVE ANNUAL PAYMENTS ARE MADE ON DECEMBER 31.
3. THE FINAL PAYMENT IS MADE ON DECEMBER 31,2019.
4. THE INTEREST RATE REMAINS THE SAME FOR THE ENTIRE 35 YEAR PERIOD.

ASSUMED INTEREST RATE	ANNUAL PAYMENTS MADE EACH DECEMBER 31 BEGINNING IN 1985 THROUGH 2017	IN 2018	IN 2019
5 %	$ 244931	$ 146260	$ 11072
5.5 %	$ 221761	$ 132217	$ 9976
6 %	$ 200513	$ 119356	$ 8974
6.5 %	$ 181071	$ 107608	$ 8063
7 %	$ 163321	$ 96897	$ 7234
7.5 %	$ 147143	$ 87151	$ 6483
8 %	$ 132429	$ 78301	$ 5804
8.5 %	$ 119067	$ 70278	$ 5190
9 %	$ 106955	$ 63018	$ 4636
9.5 %	$ 95991	$ 56456	$ 4138
10 %	$ 86083	$ 50538	$ 3690
10.5 %	$ 77140	$ 45205	$ 3288
11 %	$ 69079	$ 40407	$ 2928
11.5 %	$ 61822	$ 36095	$ 2605
12 %	$ 55295	$ 32225	$ 2317
12.5 %	$ 49431	$ 28753	$ 2060
13 %	$ 44169	$ 25644	$ 1830
13.5 %	$ 39449	$ 22861	$ 1625
14 %	$ 35221	$ 20372	$ 1442
14.5 %	$ 31434	$ 18147	$ 1280
15 %	$ 28047	$ 16161	$ 1135

34 YEAR SINKING FUND FOR THE
JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

IN THE TABLE BELOW WE DISPLAY THE AMOUNT OF THE ANNUAL PAYMENTS INTO A SINKING FUND THAT WOULD BE REQUIRED TO PAY OFF THE PRINCIPLE OF $10,400,000 ON THE REVENUE BONDS. THE PAYMENTS ARE DISPLAYED FOR SEVERAL INTEREST RATES AS INDICATED IN THE FIRST COLUMN. THE BASIC ASSUMPTIONS ARE:

1. THE FIRST ANNUAL PAYMENT IS MADE ON DECEMBER 31, 1986
2. SUCCESSIVE ANNUAL PAYMENTS ARE MADE ON DECEMBER 31.
3. THE FINAL PAYMENT IS MADE ON DECEMBER 31,2019.
4. THE INTEREST RATE REMAINS THE SAME FOR THE ENTIRE 34 YEAR PERIOD.

ASSUMED INTEREST RATE	ANNUAL PAYMENTS MADE EACH DECEMBER 31 BEGINNING IN 1986 THROUGH 2017	IN 2018	IN 2019
5 %	$ 260306	$ 155391	$ 11756
5.5 %	$ 236533	$ 140990	$ 10630
6 %	$ 214656	$ 127738	$ 9599
6.5 %	$ 194571	$ 115598	$ 8657
7 %	$ 176166	$ 104490	$ 7797
7.5 %	$ 159330	$ 94345	$ 7015
8 %	$ 143960	$ 85099	$ 6305
8.5 %	$ 129948	$ 76683	$ 5660
9 %	$ 117197	$ 69037	$ 5077
9.5 %	$ 105609	$ 62100	$ 4550
10 %	$ 95094	$ 55817	$ 4074
10.5 %	$ 85565	$ 50133	$ 3645
11 %	$ 76939	$ 44997	$ 3260
11.5 %	$ 69141	$ 40363	$ 2913
12 %	$ 62100	$ 36195	$ 2601
12.5 %	$ 55746	$ 32422	$ 2322
13 %	$ 50019	$ 29037	$ 2071
13.5 %	$ 44862	$ 25995	$ 1847
14 %	$ 40221	$ 23262	$ 1647
14.5 %	$ 36048	$ 20809	$ 1467
15 %	$ 32298	$ 18609	$ 1307

33 YEAR SINKING FUND FOR THE JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

IN THE TABLE BELOW WE DISPLAY THE AMOUNT OF THE ANNUAL PAYMENTS INTO A SINKING FUND THAT WOULD BE REQUIRED TO PAY OFF THE PRINCIPLE OF $20,400,000 ON THE REVENUE BONDS. THE PAYMENTS ARE DISPLAYED FOR SEVERAL INTEREST RATES AS INDICATED IN THE FIRST COLUMN. THE BASIC ASSUMPTIONS ARE:

1. THE FIRST ANNUAL PAYMENT IS MADE ON DECEMBER 31, 1987
2. SUCCESSIVE ANNUAL PAYMENTS ARE MADE ON DECEMBER 31.
3. THE FINAL PAYMENT IS MADE ON DECEMBER 31,2019.
4. THE INTEREST RATE REMAINS THE SAME FOR THE ENTIRE 33 YEAR PERIOD.

ASSUMED INTEREST RATE	ANNUAL PAYMENTS MADE EACH DECEMBER 31 BEGINNING IN 1987 THROUGH 2017	IN 2018	IN 2019
5 %	$ 276859	$ 165215	$ 12491
5.5 %	$ 252473	$ 150431	$ 11335
6 %	$ 229959	$ 136800	$ 10273
6.5 %	$ 209217	$ 124261	$ 9300
7 %	$ 190142	$ 112747	$ 8409
7.5 %	$ 172631	$ 102193	$ 7594
8 %	$ 156594	$ 92537	$ 6852
8.5 %	$ 141900	$ 83714	$ 6176
9 %	$ 128485	$ 75669	$ 5562
9.5 %	$ 116245	$ 68340	$ 5005
10 %	$ 105095	$ 61675	$ 4500
10.5 %	$ 94948	$ 55620	$ 4043
11 %	$ 85727	$ 50129	$ 3630
11.5 %	$ 77356	$ 45150	$ 3257
12 %	$ 69765	$ 40645	$ 2921
12.5 %	$ 62886	$ 36570	$ 2618
13 %	$ 56661	$ 32899	$ 2345
13.5 %	$ 51031	$ 29565	$ 2100
14 %	$ 45943	$ 26568	$ 1880
14.5 %	$ 41348	$ 23866	$ 1682
15 %	$ 37202	$ 21432	$ 1505

32 YEAR SINKING FUND FOR THE JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

IN THE TABLE BELOW WE DISPLAY THE AMOUNT OF THE ANNUAL PAYMENTS INTO A SINKING FUND THAT WOULD BE REQUIRED TO PAY OFF THE PRINCIPLE OF $20,400,000 ON THE REVENUE BONDS. THE PAYMENTS ARE DISPLAYED FOR SEVERAL INTEREST RATES AS INDICATED IN THE FIRST COLUMN. THE BASIC ASSUMPTIONS ARE:

1. THE FIRST ANNUAL PAYMENT IS MADE ON DECEMBER 31, 1988
2. SUCCESSIVE ANNUAL PAYMENTS ARE MADE ON DECEMBER 31.
3. THE FINAL PAYMENT IS MADE ON DECEMBER 31,2019.
4. THE INTEREST RATE REMAINS THE SAME FOR THE ENTIRE 32 YEAR PERIOD.

ASSUMED INTEREST RATE	ANNUAL PAYMENTS MADE EACH DECEMBER 31 BEGINNING IN 1988 THROUGH 2017	IN 2018	IN 2019
5 %	$ 294706	$ 175900	$ 13281
5.5 %	$ 269702	$ 160638	$ 12096
6 %	$ 246540	$ 146613	$ 11003
6.5 %	$ 225129	$ 133667	$ 9997
7 %	$ 205370	$ 121738	$ 9073
7.5 %	$ 187166	$ 110763	$ 8226
8 %	$ 170422	$ 100685	$ 7451
8.5 %	$ 155042	$ 91443	$ 6743
9 %	$ 140939	$ 82982	$ 6097
9.5 %	$ 128020	$ 75243	$ 5508
10 %	$ 116205	$ 68179	$ 4972
10.5 %	$ 105410	$ 61735	$ 4485
11 %	$ 95560	$ 55866	$ 4044
11.5 %	$ 86581	$ 50525	$ 3643
12 %	$ 78406	$ 45671	$ 3281
12.5 %	$ 70967	$ 41262	$ 2953
13 %	$ 64207	$ 37262	$ 2656
13.5 %	$ 58066	$ 33636	$ 2389
14 %	$ 52494	$ 30352	$ 2147
14.5 %	$ 47441	$ 27379	$ 1930
15 %	$ 42861	$ 24689	$ 1733

31 YEAR SINKING FUND FOR THE JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

IN THE TABLE BELOW WE DISPLAY THE AMOUNT OF THE ANNUAL PAYMENTS INTO A SINKING FUND THAT WOULD BE REQUIRED TO PAY OFF THE PRINCIPLE OF $20,400,000 ON THE REVENUE BONDS. THE PAYMENTS ARE DISPLAYED FOR SEVERAL INTEREST RATES AS INDICATED IN THE FIRST COLUMN. THE BASIC ASSUMPTIONS ARE:

1. THE FIRST ANNUAL PAYMENT IS MADE ON DECEMBER 31, 1989
2. SUCCESSIVE ANNUAL PAYMENTS ARE MADE ON DECEMBER 31.
3. THE FINAL PAYMENT IS MADE ON DECEMBER 31,2019.
4. THE INTEREST RATE REMAINS THE SAME FOR THE ENTIRE 31 YEAR PERIOD.

ASSUMED INTEREST RATE	ANNUAL PAYMENTS MADE EACH DECEMBER 31 BEGINNING IN 1989 THROUGH 2017	IN 2018	IN 2019
5 %	$ 313983	$ 197224	$ 14133
5.5 %	$ 298353	$ 171680	$ 12917
6 %	$ 264534	$ 157255	$ 11793
6.5 %	$ 242442	$ 143895	$ 10754
7 %	$ 221995	$ 131541	$ 9797
7.5 %	$ 203070	$ 120135	$ 8917
8 %	$ 185610	$ 109623	$ 8109
8.5 %	$ 169512	$ 99947	$ 7366
9 %	$ 154695	$ 91055	$ 6686
9.5 %	$ 141070	$ 82991	$ 6064
10 %	$ 128560	$ 75408	$ 5497
10.5 %	$ 117085	$ 68556	$ 4979
11 %	$ 106573	$ 62290	$ 4507
11.5 %	$ 96951	$ 56564	$ 4077
12 %	$ 88155	$ 51339	$ 3687
12.5 %	$ 80118	$ 46573	$ 3332
13 %	$ 72784	$ 42232	$ 3010
13.5 %	$ 66094	$ 38280	$ 2718
14 %	$ 59998	$ 34685	$ 2453
14.5 %	$ 54447	$ 31417	$ 2213
15 %	$ 49394	$ 28449	$ 1997

30 YEAR SINKING FUND FOR THE
JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

IN THE TABLE BELOW WE DISPLAY THE AMOUNT OF THE ANNUAL PAYMENTS INTO A SINKING FUND THAT WOULD BE REQUIRED TO PAY OFF THE PRINCIPLE OF $20,400,000 ON THE REVENUE BONDS. THE PAYMENTS ARE DISPLAYED FOR SEVERAL INTEREST RATES AS INDICATED IN THE FIRST COLUMN. THE BASIC ASSUMPTIONS ARE:

1. THE FIRST ANNUAL PAYMENT IS MADE ON DECEMBER 31, 1990
2. SUCCESSIVE ANNUAL PAYMENTS ARE MADE ON DECEMBER 31.
3. THE FINAL PAYMENT IS MADE ON DECEMBER 31,2019.
4. THE INTEREST RATE REMAINS THE SAME FOR THE ENTIRE 30 YEAR PERIOD.

ASSUMED INTEREST RATE	ANNUAL PAYMENTS MADE EACH DECEMBER 31 BEGINNING IN 1990 THROUGH 2017	IN 2018	IN 2019
5 %	$ 334843	$ 199575	$ 15052
5.5 %	$ 308580	$ 183646	$ 13806
6 %	$ 284096	$ 168815	$ 12649
6.5 %	$ 261312	$ 155033	$ 11578
7 %	$ 240142	$ 142246	$ 10587
7.5 %	$ 220500	$ 130399	$ 9672
8 %	$ 202304	$ 119441	$ 8828
8.5 %	$ 185466	$ 109317	$ 8051
9 %	$ 169910	$ 99978	$ 7337
9.5 %	$ 155550	$ 91372	$ 6681
10 %	$ 142316	$ 83453	$ 6080
10.5 %	$ 130129	$ 76173	$ 5529
11 %	$ 119919	$ 69499	$ 5025
11.5 %	$ 108619	$ 63356	$ 4565
12 %	$ 99154	$ 57737	$ 4144
12.5 %	$ 90489	$ 52591	$ 3761
13 %	$ 82541	$ 47894	$ 3411
13.5 %	$ 75262	$ 43581	$ 3093
14 %	$ 68601	$ 39651	$ 2803
14.5 %	$ 62509	$ 36064	$ 2540
15 %	$ 56942	$ 32791	$ 2301

25 YEAR SINKING FUND FOR THE
JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

IN THE TABLE BELOW WE DISPLAY THE AMOUNT OF THE ANNUAL PAYMENTS INTO A SINKING FUND THAT WOULD BE REQUIRED TO PAY OFF THE PRINCIPLE OF $10,400,000 ON THE REVENUE BONDS. THE PAYMENTS ARE DISPLAYED FOR SEVERAL INTEREST RATES AS INDICATED IN THE FIRST COLUMN. THE BASIC ASSUMPTIONS ARE:

1. THE FIRST ANNUAL PAYMENT IS MADE ON DECEMBER 31, 1995
2. SUCCESSIVE ANNUAL PAYMENTS ARE MADE ON DECEMBER 31.
3. THE FINAL PAYMENT IS MADE ON DECEMBER 31,2019.
4. THE INTEREST RATE REMAINS THE SAME FOR THE ENTIRE 25 YEAR PERIOD.

ASSUMED INTEREST RATE	ANNUAL PAYMENTS MADE EACH DECEMBER 31 BEGINNING IN 1995 THROUGH 2017	IN 2018	IN 2019
5 %	$ 470048	$ 279369	$ 20953
5.5 %	$ 440554	$ 261463	$ 19550
6 %	$ 412636	$ 244536	$ 18227
6.5 %	$ 386245	$ 228555	$ 16982
7 %	$ 361325	$ 213485	$ 15811
7.5 %	$ 337814	$ 199286	$ 14711
8 %	$ 315661	$ 185926	$ 13679
8.5 %	$ 294802	$ 173364	$ 12712
9 %	$ 275194	$ 161567	$ 11807
9.5 %	$ 256744	$ 150495	$ 10960
10 %	$ 239433	$ 140116	$ 10169
10.5 %	$ 223192	$ 130393	$ 9430
11 %	$ 207966	$ 121293	$ 8741
11.5 %	$ 193704	$ 112783	$ 8099
12 %	$ 180354	$ 104830	$ 7500
12.5 %	$ 167865	$ 97402	$ 6944
13 %	$ 156193	$ 90472	$ 6426
13.5 %	$ 145287	$ 84007	$ 5946
14 %	$ 135106	$ 77982	$ 5499
14.5 %	$ 125604	$ 72369	$ 5084
15 %	$ 116742	$ 67143	$ 4700

20 YEAR SINKING FUND FOR THE JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

IN THE TABLE BELOW WE DISPLAY THE AMOUNT OF THE ANNUAL PAYMENTS INTO A SINKING FUND THAT WOULD BE REQUIRED TO PAY OFF THE PRINCIPLE OF $20,400,000 ON THE REVENUE BONDS. THE PAYMENTS ARE DISPLAYED FOR SEVERAL INTEREST RATES AS INDICATED IN THE FIRST COLUMN. THE BASIC ASSUMPTIONS ARE:

1. THE FIRST ANNUAL PAYMENT IS MADE ON DECEMBER 31, 2000
2. SUCCESSIVE ANNUAL PAYMENTS ARE MADE ON DECEMBER 31.
3. THE FINAL PAYMENT IS MADE ON DECEMBER 31,2019.
4. THE INTEREST RATE REMAINS THE SAME FOR THE ENTIRE 20 YEAR PERIOD.

ASSUMED INTEREST RATE	ANNUAL PAYMENTS MADE EACH DECEMBER 31 BEGINNING IN 2000 THROUGH 2017	IN 2018	IN 2019
5 %	$ 697625	$ 406810	$ 30243
5.5 %	$ 654876	$ 386908	$ 29680
6 %	$ 623442	$ 367925	$ 27195
6.5 %	$ 593299	$ 349547	$ 25757
7 %	$ 564412	$ 332053	$ 24393
7.5 %	$ 536745	$ 315317	$ 23093
8 %	$ 510268	$ 299321	$ 21853
8.5 %	$ 484936	$ 284037	$ 20671
9 %	$ 460725	$ 269448	$ 19547
9.5 %	$ 437588	$ 255524	$ 18477
10 %	$ 415498	$ 242249	$ 17460
10.5 %	$ 394415	$ 229597	$ 16494
11 %	$ 374303	$ 217545	$ 15576
11.5 %	$ 355130	$ 206071	$ 14705
12 %	$ 336860	$ 195154	$ 13879
12.5 %	$ 319454	$ 184770	$ 13096
13 %	$ 302888	$ 174900	$ 12354
13.5 %	$ 287119	$ 165521	$ 11652
14 %	$ 272121	$ 156613	$ 10987
14.5 %	$ 257858	$ 148156	$ 10357
15 %	$ 244302	$ 140130	$ 9762

25 YEAR SINKING FUND FOR THE
JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

IN THE TABLE BELOW WE DISPLAY THE AMOUNT OF THE ANNUAL PAYMENTS INTO A SINKING FUND THAT WOULD BE REQUIRED TO PAY OFF THE INTEREST OF THE INDICATED AMOUNT ON THE REVENUE BONDS. THE PAYMENTS ARE DISPLAYED FOR SEVERAL INTEREST RATES AS INDICATED IN THE FIRST COLUMN. THE BASIC ASSUMPTIONS ARE:

1. THE FIRST ANNUAL PAYMENT IS MADE ON DECEMBER 31, 1995
2. SUCCESSIVE ANNUAL PAYMENTS ARE MADE ON DECEMBER 31.
3. THE FINAL PAYMENT IS MADE ON DECEMBER 31,2019.
4. THE INTEREST RATE REMAINS THE SAME FOR THE ENTIRE 0 YEAR PERIOD.

ASSUMED INTEREST RATE	ANNUAL PAYMENTS TO BE MADE EACH DECEMBER 31 BEGINING IN 1995 AND CONTINUING THROUGH DECEMBER 31,2019 TO PAY OFF THE FOLLOWING AMOUNTS OF SIMPLE INTEREST.			
	$ 29,600,000	$ 30,000,000	$ 42,000,000	$ 60,000,000
5 %	$ 599240	$ 628573	$ 880002	$ 1.25715E+06
5.5 %	$ 559115	$ 586495	$ 821079	$ 1.17297E+06
6 %	$ 521285	$ 546802	$ 765523	$ 1.0936E+06
6.5 %	$ 485670	$ 509444	$ 713221	$ 1.01899E+06
7 %	$ 452181	$ 474316	$ 664042	$ 948631
7.5 %	$ 420724	$ 441319	$ 617946	$ 882637
8 %	$ 391214	$ 410365	$ 574510	$ 820729
8.5 %	$ 363553	$ 381350	$ 533989	$ 762699
9 %	$ 337661	$ 354190	$ 495865	$ 708379
9.5 %	$ 313438	$ 328781	$ 460293	$ 657561
10 %	$ 290807	$ 305043	$ 427060	$ 610085
10.5 %	$ 269679	$ 282890	$ 396032	$ 565760
11 %	$ 249971	$ 262207	$ 367090	$ 524414
11.5 %	$ 231604	$ 242941	$ 340118	$ 485892
12 %	$ 214500	$ 225000	$ 315000	$ 450000
12.5 %	$ 198582	$ 208303	$ 291624	$ 416605
13 %	$ 183783	$ 192779	$ 269891	$ 385558
13.5 %	$ 170029	$ 178351	$ 249691	$ 356702
14 %	$ 157256	$ 164953	$ 230935	$ 329906
14.5 %	$ 145400	$ 152519	$ 213524	$ 305035
15 %	$ 134403	$ 140983	$ 197375	$ 281965

30 YEAR SINKING FUND FOR THE JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

IN THE TABLE BELOW WE DISPLAY THE AMOUNT OF THE ANNUAL PAYMENTS INTO A SINKING FUND THAT WOULD BE REQUIRED TO PAY OFF THE INTEREST OF THE INDICATED AMOUNT ON THE REVENUE BONDS. THE PAYMENTS ARE DISPLAYED FOR SEVERAL INTEREST RATES AS INDICATED IN THE FIRST COLUMN. THE BASIC ASSUMPTIONS ARE:

1. THE FIRST ANNUAL PAYMENT IS MADE ON DECEMBER 31, 1990
2. SUCCESSIVE ANNUAL PAYMENTS ARE MADE ON DECEMBER 31.
3. THE FINAL PAYMENT IS MADE ON DECEMBER 31,2019.
4. THE INTEREST RATE REMAINS THE SAME FOR THE ENTIRE 0 YEAR PERIOD.

ASSUMED INTEREST RATE	ANNUAL PAYMENTS TO BE MADE EACH DECEMBER 31 BEGINING IN 1990 AND CONTINUING THROUGH DECEMBER 31,2019 TO PAY OFF THE FOLLOWING AMOUNTS OF SIMPLE INTEREST.			
	$ 29,600,000	$ 30,000,000	$ 42,000,000	$ 60,000,000
5 %	$ 430471	$ 451543	$ 632160	$ 903085
5.5 %	$ 394837	$ 414165	$ 579831	$ 828330
6 %	$ 361760	$ 379468	$ 531255	$ 758936
6.5 %	$ 331115	$ 347323	$ 486252	$ 694646
7 %	$ 302771	$ 317592	$ 444629	$ 635184
7.5 %	$ 276597	$ 290136	$ 406191	$ 580272
8 %	$ 252466	$ 264824	$ 370753	$ 529647
8.5 %	$ 230246	$ 241517	$ 338123	$ 483033
9 %	$ 209921	$ 220092	$ 308129	$ 440184
9.5 %	$ 191064	$ 200417	$ 280594	$ 400934
10 %	$ 173867	$ 182378	$ 255329	$ 364756
10.5 %	$ 158115	$ 165855	$ 232197	$ 331709
11 %	$ 143704	$ 150738	$ 211033	$ 301476
11.5 %	$ 130534	$ 136923	$ 191692	$ 273846
12 %	$ 118510	$ 124311	$ 174035	$ 248621
12.5 %	$ 107540	$ 112805	$ 157926	$ 225609
13 %	$ 97546	$ 102321	$ 143249	$ 204641
13.5 %	$ 98443	$ 92772	$ 129981	$ 185544
14 %	$ 80161	$ 84085	$ 117718	$ 168169
14.5 %	$ 72630	$ 76195	$ 106658	$ 152369
15 %	$ 65786	$ 69006	$ 96609	$ 138012

31 YEAR SINKING FUND FOR THE
JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

IN THE TABLE BELOW WE DISPLAY THE AMOUNT OF THE ANNUAL PAYMENTS INTO A SINKING FUND THAT WOULD BE REQUIRED TO PAY OFF THE INTEREST OF THE INDICATED AMOUNT ON THE REVENUE BONDS. THE PAYMENTS ARE DISPLAYED FOR SEVERAL INTEREST RATES AS INDICATED IN THE FIRST COLUMN. THE BASIC ASSUMPTIONS ARE:

1. THE FIRST ANNUAL PAYMENT IS MADE ON DECEMBER 31, 1989
2. SUCCESSIVE ANNUAL PAYMENTS ARE MADE ON DECEMBER 31.
3. THE FINAL PAYMENT IS MADE ON DECEMBER 31,2019.
4. THE INTEREST RATE REMAINS THE SAME FOR THE ENTIRE 0 YEAR PERIOD.

ASSUMED INTEREST RATE	ANNUAL PAYMENTS TO BE MADE EACH DECEMBER 31 BEGINING IN 1989 AND CONTINUING THROUGH DECEMBER 31,2019 TO PAY OFF THE FOLLOWING AMOUNTS OF SIMPLE INTEREST.			
	$ 28,600,000	$ 30,000,000	$ 42,000,000	$ 60,000,000
5 %	$ 404178	$ 423963	$ 593548	$ 847926
5.5 %	$ 369419	$ 387503	$ 542504	$ 775005
6 %	$ 337258	$ 353767	$ 495274	$ 707534
6.5 %	$ 307562	$ 322618	$ 451665	$ 645235
7 %	$ 280192	$ 293907	$ 411470	$ 587814
7.5 %	$ 255005	$ 267488	$ 374483	$ 534975
8 %	$ 231869	$ 243219	$ 340507	$ 486438
8.5 %	$ 210645	$ 220957	$ 309339	$ 441913
9 %	$ 191210	$ 200570	$ 280797	$ 401139
9.5 %	$ 173430	$ 181919	$ 254687	$ 363938
10 %	$ 157192	$ 164887	$ 230842	$ 329773
10.5 %	$ 142379	$ 149348	$ 209087	$ 298695
11 %	$ 128879	$ 135198	$ 189263	$ 270376
11.5 %	$ 116593	$ 122301	$ 171221	$ 244601
12 %	$ 105422	$ 110583	$ 154816	$ 221165
12.5 %	$ 95273	$ 99937	$ 139911	$ 199873
13 %	$ 86064	$ 90277	$ 126397	$ 180553
13.5 %	$ 77711	$ 81516	$ 114122	$ 163031
14 %	$ 70144	$ 73579	$ 103009	$ 147155
14.5 %	$ 63292	$ 66390	$ 92945	$ 132779
15 %	$ 57091	$ 59886	$ 83840	$ 119771

32 YEAR SINKING FUND FOR THE
JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

IN THE TABLE BELOW WE DISPLAY THE AMOUNT OF THE ANNUAL PAYMENTS INTO A SINKING FUND THAT WOULD BE REQUIRED TO PAY OFF THE INTEREST OF THE INDICATED AMOUNT ON THE REVENUE BONDS. THE PAYMENTS ARE DISPLAYED FOR SEVERAL INTEREST RATES AS INDICATED IN THE FIRST COLUMN. THE BASIC ASSUMPTIONS ARE:

1. THE FIRST ANNUAL PAYMENT IS MADE ON DECEMBER 31, 1988
2. SUCCESSIVE ANNUAL PAYMENTS ARE MADE ON DECEMBER 31.
3. THE FINAL PAYMENT IS MADE ON DECEMBER 31,2019.
4. THE INTEREST RATE REMAINS THE SAME FOR THE ENTIRE 0 YEAR PERIOD.

ASSUMED INTEREST RATE	ANNUAL PAYMENTS TO BE MADE EACH DECEMBER 31 BEGINING IN 1988 AND CONTINUING THROUGH DECEMBER 31,2019 TO PAY OFF THE FOLLOWING AMOUNTS OF SIMPLE INTEREST.			
	$ 28,600,000	$ 30,000,000	$ 42,000,000	$ 60,000,000
5 %	$ 379820	$ 398412	$ 557777	$ 796824
5.5 %	$ 345925	$ 362859	$ 509002	$ 725717
6 %	$ 314668	$ 330071	$ 462099	$ 660141
6.5 %	$ 285904	$ 299899	$ 419859	$ 599798
7 %	$ 259486	$ 272188	$ 381063	$ 544375
7.5 %	$ 235263	$ 246779	$ 345490	$ 493557
8 %	$ 213094	$ 223525	$ 312935	$ 447050
8.5 %	$ 192834	$ 202274	$ 283183	$ 404547
9 %	$ 174352	$ 182887	$ 256042	$ 365774
9.5 %	$ 157511	$ 165222	$ 231310	$ 330443
10 %	$ 142192	$ 149152	$ 208813	$ 298304
10.5 %	$ 128271	$ 134550	$ 188370	$ 269100
11 %	$ 115638	$ 121299	$ 169818	$ 242597
11.5 %	$ 104187	$ 109287	$ 153002	$ 219574
12 %	$ 93818	$ 98411	$ 137775	$ 196821
12.5 %	$ 84437	$ 88571	$ 123999	$ 177141
13 %	$ 75960	$ 79679	$ 111550	$ 159357
13.5 %	$ 68305	$ 71648	$ 100308	$ 143296
14 %	$ 61398	$ 64403	$ 90165	$ 128806
14.5 %	$ 55170	$ 57871	$ 81019	$ 115741
15 %	$ 49559	$ 51984	$ 72778	$ 103968

33 YEAR SINKING FUND FOR THE JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

IN THE TABLE BELOW WE DISPLAY THE AMOUNT OF THE ANNUAL PAYMENTS INTO A SINKING FUND THAT WOULD BE REQUIRED TO PAY OFF THE INTEREST OF THE INDICATED AMOUNT ON THE REVENUE BONDS. THE PAYMENTS ARE DISPLAYED FOR SEVERAL INTEREST RATES AS INDICATED IN THE FIRST COLUMN. THE BASIC ASSUMPTIONS ARE:

1. THE FIRST ANNUAL PAYMENT IS MADE ON DECEMBER 31, 1987
2. SUCCESSIVE ANNUAL PAYMENTS ARE MADE ON DECEMBER 31.
3. THE FINAL PAYMENT IS MADE ON DECEMBER 31,2019.
4. THE INTEREST RATE REMAINS THE SAME FOR THE ENTIRE 0 YEAR PERIOD.

ASSUMED INTEREST RATE	ANNUAL PAYMENTS TO BE MADE EACH DECEMBER 31 BEGINING IN 1987 AND CONTINUING THROUGH DECEMBER 31,2019 TO PAY OFF THE FOLLOWING AMOUNTS OF SIMPLE INTEREST.			
	$ 28,600,000	$ 30,000,000	$ 42,000,000	$ 60,000,000
5 %	$ 357215	$ 374701	$ 524581	$ 749402
5.5 %	$ 324175	$ 340044	$ 476061	$ 680087
6 %	$ 293807	$ 308189	$ 431464	$ 616377
6.5 %	$ 265959	$ 278977	$ 390568	$ 557953
7 %	$ 240471	$ 252242	$ 353139	$ 504484
7.5 %	$ 217187	$ 227819	$ 319946	$ 455637
8 %	$ 195958	$ 205550	$ 287770	$ 411099
8.5 %	$ 176630	$ 185276	$ 259386	$ 370552
9 %	$ 159067	$ 166853	$ 233594	$ 333706
9.5 %	$ 143126	$ 150132	$ 210185	$ 300264
10 %	$ 128684	$ 134983	$ 188976	$ 269965
10.5 %	$ 115613	$ 121273	$ 169782	$ 242545
11 %	$ 103800	$ 108882	$ 152434	$ 217763
11.5 %	$ 93137	$ 97696	$ 136774	$ 195392
12 %	$ 83522	$ 87610	$ 122654	$ 175220
12.5 %	$ 74859	$ 78523	$ 109932	$ 157046
13 %	$ 67064	$ 70347	$ 98486	$ 140693
13.5 %	$ 60054	$ 62994	$ 88191	$ 125987
14 %	$ 53757	$ 56388	$ 78943	$ 112776
14.5 %	$ 48102	$ 50457	$ 70640	$ 100914
15 %	$ 43030	$ 45136	$ 63190	$ 90271

34 YEAR SINKING FUND FOR THE JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

IN THE TABLE BELOW WE DISPLAY THE AMOUNT OF THE ANNUAL PAYMENTS INTO A SINKING FUND THAT WOULD BE REQUIRED TO PAY OFF THE INTEREST OF THE INDICATED AMOUNT ON THE REVENUE BONDS. THE PAYMENTS ARE DISPLAYED FOR SEVERAL INTEREST RATES AS INDICATED IN THE FIRST COLUMN. THE BASIC ASSUMPTIONS ARE:

1. THE FIRST ANNUAL PAYMENT IS MADE ON DECEMBER 31, 1986
2. SUCCESSIVE ANNUAL PAYMENTS ARE MADE ON DECEMBER 31.
3. THE FINAL PAYMENT IS MADE ON DECEMBER 31,2019.
4. THE INTEREST RATE REMAINS THE SAME FOR THE ENTIRE 0 YEAR PERIOD.

ASSUMED INTEREST RATE	ANNUAL PAYMENTS TO BE MADE EACH DECEMBER 31 BEGINING IN 1986 AND CONTINUING THROUGH DECEMBER 31,2019 TO PAY OFF THE FOLLOWING AMOUNTS OF SIMPLE INTEREST.			
	$ 29,600,000	$ 30,000,000	$ 42,000,000	$ 60,000,000
5 %	$ 336206	$ 352663	$ 493728	$ 705326
5.5 %	$ 304009	$ 319890	$ 446446	$ 637780
6 %	$ 274516	$ 287953	$ 403135	$ 575906
6.5 %	$ 247564	$ 259683	$ 363556	$ 519365
7 %	$ 222987	$ 233902	$ 327463	$ 467804
7.5 %	$ 200617	$ 210438	$ 294613	$ 420875
8 %	$ 180298	$ 189124	$ 264774	$ 378248
8.5 %	$ 161971	$ 169795	$ 237713	$ 339589
9 %	$ 145192	$ 152299	$ 213219	$ 304598
9.5 %	$ 130114	$ 136483	$ 191076	$ 272966
10 %	$ 116509	$ 122212	$ 171096	$ 244423
10.5 %	$ 104246	$ 109349	$ 153089	$ 218698
11 %	$ 93209	$ 97772	$ 136880	$ 195543
11.5 %	$ 83288	$ 87365	$ 122310	$ 174729
12 %	$ 74379	$ 78020	$ 109228	$ 156040
12.5 %	$ 66387	$ 69637	$ 97491	$ 139273
13 %	$ 59226	$ 62125	$ 86975	$ 124250
13.5 %	$ 52813	$ 55399	$ 77558	$ 110797
14 %	$ 47077	$ 49382	$ 69134	$ 98763
14.5 %	$ 41949	$ 44003	$ 61604	$ 88005
15 %	$ 37368	$ 39197	$ 54876	$ 78394

35 YEAR SINKING FUND FOR THE
JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

IN THE TABLE BELOW WE DISPLAY THE AMOUNT OF THE ANNUAL PAYMENTS INTO A SINKING FUND THAT WOULD BE REQUIRED TO PAY OFF THE INTEREST OF THE INDICATED AMOUNT ON THE REVENUE BONDS. THE PAYMENTS ARE DISPLAYED FOR SEVERAL INTEREST RATES AS INDICATED IN THE FIRST COLUMN. THE BASIC ASSUMPTIONS ARE:

1. THE FIRST ANNUAL PAYMENT IS MADE ON DECEMBER 31, 1985
2. SUCCESSIVE ANNUAL PAYMENTS ARE MADE ON DECEMBER 31.
3. THE FINAL PAYMENT IS MADE ON DECEMBER 31,2019.
4. THE INTEREST RATE REMAINS THE SAME FOR THE ENTIRE 0 YEAR PERIOD.

ASSUMED INTEREST RATE	ANNUAL PAYMENTS TO BE MADE EACH DECEMBER 31 BEGINING IN 1985 AND CONTINUING THROUGH DECEMBER 31,2019 TO PAY OFF THE FOLLOWING AMOUNTS OF SIMPLE INTEREST.			
	$ 28,600,000	$ 30,000,000	$ 42,000,000	$ 60,000,000
5 %	$ 316651	$ 332151	$ 465011	$ 664302
5.5 %	$ 285286	$ 299251	$ 418951	$ 598501
6 %	$ 256653	$ 269216	$ 376903	$ 538432
6.5 %	$ 230581	$ 241868	$ 338615	$ 483735
7 %	$ 206892	$ 217019	$ 303827	$ 434038
7.5 %	$ 185411	$ 194487	$ 272282	$ 388973
8 %	$ 165974	$ 174099	$ 243738	$ 348197
8.5 %	$ 148416	$ 155681	$ 217953	$ 311361
9 %	$ 132586	$ 139076	$ 194707	$ 278152
9.5 %	$ 118334	$ 124127	$ 173777	$ 248253
10 %	$ 105526	$ 110692	$ 154968	$ 221383
10.5 %	$ 94030	$ 98633	$ 138086	$ 197266
11 %	$ 83726	$ 87825	$ 122955	$ 175649
11.5 %	$ 74503	$ 78150	$ 109410	$ 156299
12 %	$ 66256	$ 69499	$ 97299	$ 138998
12.5 %	$ 58889	$ 61772	$ 86480	$ 123543
13 %	$ 52317	$ 54877	$ 76829	$ 109754
13.5 %	$ 46456	$ 48730	$ 68222	$ 97460
14 %	$ 41237	$ 43255	$ 60557	$ 86510
14.5 %	$ 36590	$ 38381	$ 53733	$ 76762
15 %	$ 32457	$ 34046	$ 47664	$ 68092

36 YEAR SINKING FUND FOR THE JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

IN THE TABLE BELOW WE DISPLAY THE AMOUNT OF THE ANNUAL PAYMENTS INTO A SINKING FUND THAT WOULD BE REQUIRED TO PAY OFF THE INTEREST OF THE INDICATED AMOUNT ON THE REVENUE BONDS. THE PAYMENTS ARE DISPLAYED FOR SEVERAL INTEREST RATES AS INDICATED IN THE FIRST COLUMN. THE BASIC ASSUMPTIONS ARE:

1. THE FIRST ANNUAL PAYMENT IS MADE ON DECEMBER 31, 1984
2. SUCCESSIVE ANNUAL PAYMENTS ARE MADE ON DECEMBER 31.
3. THE FINAL PAYMENT IS MADE ON DECEMBER 31,2019.
4. THE INTEREST RATE REMAINS THE SAME FOR THE ENTIRE 0 YEAR PERIOD.

ASSUMED INTEREST RATE	ANNUAL PAYMENTS TO BE MADE EACH DECEMBER 31 BEGINING IN 1984 AND CONTINUING THROUGH DECEMBER 31,2019 TO PAY OFF THE FOLLOWING AMOUNTS OF SIMPLE INTEREST.			
	$ 28,600,000	$ 30,000,000	$ 42,000,000	$ 60,000,000
5 %	$ 298425	$ 313034	$ 438247	$ 626067
5.5 %	$ 267880	$ 280993	$ 393390	$ 561986
6 %	$ 240093	$ 251846	$ 352584	$ 503691
6.5 %	$ 214881	$ 225400	$ 315559	$ 450799
7 %	$ 192058	$ 201460	$ 282043	$ 402919
7.5 %	$ 171441	$ 179834	$ 251767	$ 359667
8 %	$ 152858	$ 160341	$ 224477	$ 320682
8.5 %	$ 136138	$ 142802	$ 199922	$ 285603
9 %	$ 121124	$ 127053	$ 177874	$ 254105
9.5 %	$ 107661	$ 112931	$ 158103	$ 225961
10 %	$ 95612	$ 100292	$ 140409	$ 200584
10.5 %	$ 84843	$ 88996	$ 124594	$ 177992
11 %	$ 75231	$ 78914	$ 110479	$ 157827
11.5 %	$ 66663	$ 69926	$ 97897	$ 139852
12 %	$ 59035	$ 61925	$ 86695	$ 123850
12.5 %	$ 52250	$ 54808	$ 76731	$ 109615
13 %	$ 46223	$ 48486	$ 67880	$ 96971
13.5 %	$ 40872	$ 42873	$ 60022	$ 85745
14 %	$ 36127	$ 37895	$ 53053	$ 75790
14.5 %	$ 31921	$ 33483	$ 46876	$ 66966
15 %	$ 28196	$ 29576	$ 41406	$ 59152

50 YEAR SINKING FUND FOR THE JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

IN THE TABLE BELOW WE DISPLAY THE AMOUNT OF THE ANNUAL PAYMENTS INTO A SINKING FUND THAT WOULD BE REQUIRED TO PAY OFF THE INTEREST OF THE INDICATED AMOUNT ON THE REVENUE BONDS. THE PAYMENTS ARE DISPLAYED FOR SEVERAL INTEREST RATES AS INDICATED IN THE FIRST COLUMN. THE BASIC ASSUMPTIONS ARE:

1. THE FIRST ANNUAL PAYMENT IS MADE ON DECEMBER 31, 1985
2. SUCCESSIVE ANNUAL PAYMENTS ARE MADE ON DECEMBER 31.
3. THE FINAL PAYMENT IS MADE ON DECEMBER 31,2034.
4. THE INTEREST RATE REMAINS THE SAME FOR THE ENTIRE 0 YEAR PERIOD.

ASSUMED INTEREST RATE	ANNUAL PAYMENTS TO BE MADE EACH DECEMBER 31 BEGINING IN 1985 AND CONTINUING THROUGH DECEMBER 31,2019 TO PAY OFF THE FOLLOWING AMOUNTS OF SIMPLE INTEREST.			
	$ 29,600,000	$ 30,000,000	$ 42,000,000	$ 60,000,000
5 %	$ 136615	$ 143302	$ 200623	$ 286604
5.5 %	$ 116159	$ 121945	$ 170593	$ 243690
6 %	$ 98507	$ 103329	$ 144661	$ 206658
6.5 %	$ 83339	$ 87418	$ 122385	$ 174936
7 %	$ 70352	$ 73796	$ 103314	$ 147591
7.5 %	$ 59271	$ 62172	$ 87041	$ 124344
8 %	$ 49846	$ 52296	$ 73201	$ 104572
8.5 %	$ 41952	$ 43900	$ 61460	$ 87800
9 %	$ 35089	$ 36807	$ 51529	$ 73613
9.5 %	$ 29380	$ 30819	$ 43146	$ 61637
10 %	$ 24573	$ 25776	$ 36086	$ 51551
10.5 %	$ 20531	$ 21536	$ 30150	$ 43072
11 %	$ 17139	$ 17978	$ 25169	$ 35955
11.5 %	$ 14296	$ 14996	$ 20994	$ 29991
12 %	$ 11917	$ 12500	$ 17500	$ 25000
12.5 %	$ 9928	$ 10414	$ 14580	$ 20829
13 %	$ 8268	$ 8672	$ 12141	$ 17344
13.5 %	$ 6882	$ 7219	$ 10106	$ 14437
14 %	$ 5727	$ 6007	$ 8410	$ 12014
14.5 %	$ 4764	$ 4998	$ 6996	$ 9995
15 %	$ 3963	$ 4157	$ 5820	$ 8313

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

TESTIMONY BY ROGER L. STEVENS, CHAIRMAN

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

BEFORE THE SENATE COMMITTEE ON THE

ENVIRONMENT AND PUBLIC WORKS

Accompanied by Harry McPherson, Jr., General Counsel

and Thomas R. Kendrick, Director of Operations

April 26, 1984

Mr. Chairman and Members of the Committee:

We are pleased to have this opportunity to testify on behalf of propose legislation -- initiated by Treasury, cleared by OMB and approved by th Center's Board of Trustees -- to resolve the long-standing and complex issues involved in the Center's re-payment of original construction bonds held by the Secretary of the Treasury.

This legislative proposal was developed over several months by a workin group convened by Treasury and composed of representatives of that department, the Office of Management and Budget, and Kennedy Center. It is -- on balance -- we believe, a fair and reasonable compromise that would (1) relieve the Center of a manifestly unmanageable burden of more than $30 Million compound Federal interest; (2) ensure that the Center will be able to pay the $20.4 Million bond principal when du and (3) give the Center a reasonable chance of meeting its fair share o building operating costs while continuing to carry out its primary responsibility--presenting a broad spectrum of Congressionally-mandated performing arts and public service programming--through reliance on the private sector.

You will recall that the total construction cost for the Center was $80 Million -- $37 Million raised privately by the Center, $23 Million in Federal matching funds, and the $20.4 Million bond issue first authorized by Congress in 1964. The proposed amendments to the Kennedy Center Act, which have been forwarded by Under Secretary of the Treasur Dr. Beryl Sprinkel, to this Committee would:

Washington, D.C. 20566/phone: 202 872-0466

1. Establish a sinking fund at the Treasury Department through which Kennedy Center would pre-pay the $20.4 Million of bond principal due in 2017 in $200,000 annual installments;

2. Waive compound and simple interest--now $30 Million on the bonds.

In referring the bill now before you to this Committee, the bill's sponsor, Senator James McClure, with Senator Charles Percy and Senator Edward Kennedy, joined by Senators Baker and Stevens, urged resolution of this matter: "The repayment of the principal and interest on the Treasury bonds has long been the major financial crisis confronting Kennedy Center fundraising efforts. I believe that it is time to recognize the successes of the Kennedy Center and ask that you join with us in providing the Center with a more realistic and attainable debt service plan."

Kennedy Center concurs with GAO's conclusion, consistently expressed in three reports, including its current one: that only Congress can make the judgments necessary to resolve this matter -- and that a comprehensive solution is necessary which balances the Center's ability to meet its construction bond obligations against its share of building operating costs and unique statutory responsibilities as a national cultural center and a "living" Presidential memorial.

We believe the working group assembled by Treasury has thoroughly studied the Center's situation, taking into account the most current data available, and that this "consensus" approach--now supported by all key agencies involved--represents a constructive and practical solution to a fiscal dilemma that has existed for many years--one which can only worsen if left unresolved. The Center, as you know, has sought unsuccessfully many times in the past, acting in accordance with GAO recommendations, to obtain Congressional resolution of this matter. I would like to insert for the record, a detailed Statement of Background Information on this matter.

It is important to emphasize that Treasury, after many years of routinely deferring payment of the rapidly compounding Federal interest on the bonds, has informed the Center that it will not continue to defer interest payment beyond the end of 1984. While bond principal is not due until 2017, the compound interest due already exceeds that amount and is mounting at more than $4 Million annually; such sums are clearly beyond the Center's financial resources--a fact confirmed by GAO and all Federal departments and agencies who have been involved in forging the "consensus" recommendations now before you.

It is equally important to stress that the Center has operated narrowly in the black and met a broad Congressional mandate for performing arts and public service programming, without a request for direct Federal subsidy, for the past 12 years. The sole exception is a Department of Education grant which helps support the Center's national outreach education programs in every state. Treasury itself has stressed that it would be "totally inconsistent with the Center's

unique status" to declare it in default--an action that could have substantial negative impact on the Center's nationally recognized success in relying on the private sector to balance its budget.

Resolution of the Treasury bond issue is particularly important to the Center at this time because, without such action, the Center cannot proceed to mount an effective endowment drive--the key to long range financial stability and continued success as a model of private sector support for its programming. The Treasury bond issue is a major deterrent to obtaining the large private gifts necessary for such an endowment because prospective donors fear that their contributions might be absorbed by this unresolved Federal debt.

Let me now elaborate the three elements of the "consensus" agreement:

First, the proposed legislation would commit Kennedy Center to pre-payment of the $20.4 Million Treasury bond principal, although the bonds themselves are not due for payment until December 31, 2017 through December 31, 2019. Beginning in 1987, Kennedy Center would make payments of $200,000 annually, secured by garage revenues, into a sinking fund with investment authority controlled by Treasury. These payments would, in the opinion of Treasury officials, through a combination of principal and earned interest, yield sufficient funds for the Secretary of the Treasury to retire each of the bonds as they mature beginning in 2017. While a "consensus" background statement accompanying the proposed legislation notes that there is adequate legislative precedent for waiver of both intra-governmental principal and deferred interest (St. Lawrence Seaway--$110 Million principal and RFK Stadium--$19.8 Million principal), Kennedy Center has, nonetheless, consistently expressed its willingness over the years to repay the bond principal, if the burden of compound Federal interest were relieved.

Second, Treasury would, in turn, be authorized to waive accrued and future interest on the revenue bonds. It seems important to note here, and widely acknowledged, that the Center cannot raise private funds to pay the accumulated interest of $30 Million that represents compound Federal interest on a Federal debt on a building owned by the Federal government. It has been fueled by an unanticipated four-fold rise in interest rates since 1964. The interest already exceeds the bond principal and can only further increase if no remedial action is taken.

Third, the "consensus" proposal developed by the working group recommends that the current division of certain building operating costs between Kennedy Center and the National Park Service--housekeeping, maintenance and utilities relating to shared use of the public memorial facility -- be maintained. In recommending that "no change be made" in the current allocation of those costs shared between NPS and the Center, the "consensus" statement notes "sharply escalating expenses for maintaining [the Center's] five theaters and administrative areas--costs borne solely by the Center through private contributions and earned income".

The Park Service is responsible for memorial security and maintenance at the Center as at all other Presidential memorials. GAO's 1984 report points out that "both those (building operating) costs shared

with the Park Service and those paid entirely by the Center" have "increased materially" since their last review of the Center's operations in 1980. The 1984 report concludes that--under terms of a 1971 formula--the Center now is paying somewhat less than its full share. But the Center's direct payments to the Park Service--more than $1M in 1984--have increased 63% since 1978. And an upward adjustment in the Center's percentage, as confirmed by GAO, would cost Kennedy Center several hundred thousand dollars more. GAO itself cautions that any solution requiring the Center to pay more to the Park Service for operating costs "would in turn affect its ability to meet other financial obligations resulting in fewer funds available for performing arts and public service programming" or debt service.

The working group found that no legislative action is required to continue the present cost-sharing allocations for Kennedy Center and the Park Service. But it urged that legislative history on the bill before this Committee reflect its intention in this regard.

An important and relatively new factor here, which the current GAO report clearly recognizes, is that the Center's costs of maintaining its five theaters and massive backstage, dressing room, rehearsal and office areas--for which the Center is solely responsible--have soared. This reflects the building's intensive use for more than a dozen years by millions of patrons and tourists.

These expenses were negligible in the Center's early years. But in FY '81 and FY '82 combined, as GAO notes, the Center spent more than $1M for this purpose; in FY '83 it expended $535,000; more than $2.7M is allocated in FY '84, including more than $1.6M raised from private sources for the full-scale renovation of the Opera House. Clearly, judgments involving the Center's "fair" share of overall building operating costs can no longer be based solely on those it shares with the National Park Service.

Further, the working group recognized that performing arts production costs, for which the Center now requests no Federal programming support, have increased sharply over the past five years, reflecting a national trend. Today there is no possibility that most classical music events, opera, and ballet can be presented without substantial private subsidy beyond box office receipts. And the essentially handcraft nature of the arts is making this increasingly true of theater as well.

Escalating fixed costs have, obviously, placed enormous financial strain on the Center's ability to continue to meet its statutory responsibilities for performing arts, education and public service programming--programming mandated by Congress which the Center must rely in large measure on private sector support to fulfill. Last year, for example, more than 400,000 young people and their families enjoyed free Imagination Celebration performances in Washington, D. C. and in 10 states around the country, presented by the Center's Education Program. This year's Imagination Celebration is currently underway in the Washington area with more than a score of free and low-cost performances. This national children's arts festival will be shared with young audiences and their families at 22 sites in the states of Alabama, Arizona, California, Florida, New York, Ohio, Oregon, Washington and Wisconsin.

Last year, more than 100,000 people also purchased half-priced tickets to Center performances through a Specially Priced Ticket Program for the elderly, handicapped, students, enlisted military, and others on fixed low incomes. I am submitting a full summary of Kennedy Center's many free, low-priced and national outreach programs for 1984 for the record and your review.

The dramatic increases in programming production expenses and Kennedy Center's own solely financed theater maintenance costs represent relatively new financial trends that were not readily apparent when we testified here previously. These factors could not be foreseen by the 1980 GAO report and are only partially reflected in GAO's current review--which focuses primarily on financial data from the period 1978-1982. These sharp cost increases, most visible in FY '83 and FY '84, seem likely to continue on an upward line in the future and represent a major departure from the picture of the Kennedy Center's finances presented to this Committee in 1979.

The increases in costs I have described have been offset only by an equally dramatic increase in the Center's fund-raising over the last 5 years, from $1.0 Million to $6.0 Million budgeted for FY '84. This substantial increase has been achieved in the face of a difficult economy and vastly increased competition for private sector giving among not-for-profit institutions of all kinds. Many believe the Center will be hard-pressed to maintain this level of subsidy for programming and building operating costs in the years to come.

The Kennedy Center trustees have raised a total of more than $60 Million from the private sector -- not only to match Federal appropriations to build the Center, but also to carry out Congress' mandate to present a broad spectrum of performing arts programming and a wide range of free and low-priced educational and public service activities at the Center and around the country. Critical assistance has been provided by the Center's Corporate Fund, which now represents nearly 300 of America's leading businesses. I would like to submit a copy of this year's Corporate Fund appeal headed by Roger B. Smith, Chairman of General Motors, for the record.

There are numerous other inter-related factors in the Center's financial situation. I would like to enter a summary of these factors for the record but would appreciate the opportunity to mention just three key elements here:

1. Unlike cultural centersof other nations and major American performing arts centers elsewhere in the country, the Kennedy Center has operated with virtually no performing arts programming support from any government body since its opening. All other regional performing arts centers, of which there are more than a score now in this country, do receive some form of government assistance for both maintenance and programming purposes, from federal, state or municipal governments. In addition, GAO has noted that the Center receives a significantly lesser percentage than other Washington arts institutions that receive direct Park Service programming support. Needless to say, national cultural centers in other countries receive the bulk of their programming funding in the form of government grants.

Kennedy Center does not receive, and has not requested, direct funding from the National Endowment for the Arts. Previous indirect subsidy through NEA for touring dance companies, available in the past to all presenting facilities, has ceased--forcing the Center to raise more private donations to cover major ballet engagements.

2. Kennedy Center is carefully administered with a minimum of overhead. While the CPI inflation rate for the Fiscal Years 1978-1983 was on the average 8.9%, Kennedy Center general and administrative expenses have experienced an average growth of only 4.7%.

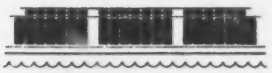
3. Concession income, such as the Center's garage revenue is directly dependent on performance attendance and, because its use is unrestricted, critical to the Center's future financial operation. Virtually all other performing arts centers in this country are dependent on receipt of parking and other unrestricted concession revenue to meet general overhead and maintenance costs, since restricted corporate, foundation, and individual donations are rarely, if ever, contributed for such expenses. Careful management of both income and expenses, in addition to an unprecedented increase in private contributions, has enabled the Center to remain solvent through a five year period of rapid inflation and substantial consumer resistance to higher tickets prices.

It is also important to note that Treasury's proposed mechanism for pre-payment of the bond principal--a "sinking fund"--is a key recommendation in GAO's 1984 report. The findings of this latest report echo the agency's 1980 conclusion that "Only the Congress can make both the value judgments and trade-offs required to resolve the situation." The 1984 report states: "The increases in costs that the Kennedy Center pays alone or jointly with the National Park Service strengthen GAO's conclusion that a comprehensive solution must be developed for the Center's financial problems." As early as 1977, you may recall, GAO declared, "The Center cannot meet its bond indebtedness obligations to the Federal Government. Substantial payments by the Center on bond indebtedness or major increases in its share of building costs, without offsetting increases in revenues, could seriously affect its ability to effectively carry out mandated performing arts and public service responsibilities. Only the Congress can determine the appropriate amount of Government support for the Center's programs."

Let me stress once again, in closing, that resolution of the Treasury bond issue is particularly important to the Kennedy Center at this time. Treasury has stated firmly that it will not continue deferral of the massive interest due on these bonds. And an endowment, as I have said, is key to the Center's long-range financial stability within the private sector.

A planning committee, made up of trustees and top corporate leaders, has been working for more than a year toward this purpose but it will be virtually impossible to undertake an effective endowment drive while this Treasury debt remains unresolved.

The Center is ready to begin pre-paying the bond principal and the proposed amendments would effectively guarantee that Treasury will have sufficient funds to retire the bonds as they mature beginning in 2017. Waiver of federal compound interest on a federally owned building would allow the Center to launch its endowment campaign and help ensure that, in the years ahead, the Center will be able to continue to fulfill its unique mandate as a "living" memorial, without altering its basic reliance on the private sector.



JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

PUBLIC SERVICE AND EDUCATION ACTIVITIES
KENNEDY CENTER ACT - SECTION 4

The John F. Kennedy Center for the Performing Arts reaches far beyond Washington, D.C. to enrich the lives of millions of Americans. Through its congressionally mandated artistic, educational, and public service programs, the Center has become a national catalyst in creating an active partnership with the states to spur volunteer effort and significant private fundraising around the country on behalf of the arts. For the past thirteen years, the Kennedy Center's Board of Trustees has raised private funds in steadily increasing amounts in order to sponsor and share nationwide the quality programming that has become the Center's hallmark. The Kennedy Center has raised more than $5 million in private funds this past year to achieve its goals under Section 4 of its authorizing legislation and to further expand its commitment as a national leader in the performing arts.

EXPANDING ACCESS TO PERFORMING ARTS PROGRAMS

- Since opening in 1971, the Kennedy Center has supported the most extensive reduced-price ticket programs in the country to help insure access to its quality programming -- more than 1.7 million people have purchased half-price tickets through the Specially Priced Ticket Program. In Fiscal 1983 100,000 tickets were sold through this program, resulting in a total price reduction of $1.1 million.

- In Fiscal 1983, 500,000 people enjoyed free and low admission Kennedy Center performances and events in Washington, D.C. and cities around the country.

- Throughout its first decade, the Center has sponsored special music festivals and competitions designed to share performances of high quality with a broad public audience. The annual Friedheim awards, for example, have become the most prestigious competition for American composers. The Center allocated more than $2,000,000 this past year to broaden access through free or reduced price admissions for special performance events and to provide the extensive private subsidy necessary to present music, dance, and theater programming of the highest caliber.

- Economic and physical access for all handicapped persons to the Kennedy Center's performances has been available since the Center opened. In addition to assistance already offered through the Friends of the Kennedy Center and the Specially Priced Ticket Program, the Eisenhower and Terrace Theaters are equipped to serve the hearing and visually impaired. The use of such equipment is offered free of charge.

- In the past seven years, more than $1.2 million in private funds has been allocated by Kennedy Center to expand Black, Hispanic and other ethnic participation in the performing arts at Kennedy Center and across the country. $150,000 is allocated for support of such efforts in Fiscal 1984.

FY 1984

DEVELOPING AND EDUCATING NATIONAL AUDIENCES

- The annual American College Theatre Festival (ACTF) this year involved more than 13,500 students from more than 450 colleges and universities in 12 regional festivals and a two-week national festival at the Kennedy Center -- reaching a total audience of more than 2 million people. Fiscal 1983 funding totalled totalled $450,000; $90,000 is provided by a grant from the U.S. Department of Education and $350,000 is raised from the AMOCO Companies, Corporate Fund, other private sources, and ticket income.

- Programs for Children and Youth (PCY) produces a model performing arts program for youth at the Center: a continuing Children's Arts Series during the school year; the IMAGINATION CELEBRATION (an annual National Children's Arts Festival) conducted both at the Center and as a national outreach program. (Denver, Albany, Tucson, Chicago, Seattle, Phoenix, Atlanta, Birmingham, Milwaukee, and Marin County have participated to date.) During the past season, PCY presented 500 free performances to audiences of more than 400,000 young people and their families in Washington, D.C. and cities around the country. Teacher workshops, conferences, and demonstration projects are also sponsored by PCY. The Fiscal 1983 budget was $600,000 of which $300,000 was provided by the Kennedy Center Corporate Fund; an additional $50,000 from private foundations and corporations and $190,000 was provided by a grant from the U.S. Department of Education.

- The Alliance for Arts Education (AAE), a joint project with the U.S. Education Department -- AAE committees in each state cooperate with education departments to develop comprehensive plans for arts education in the schools. The Alliance serves as a information gathering and communication network at the local, state, and national level about arts education issues and successful model programs around the country. The Department of Education provided $395,000 in support for Fiscal 1983, supplemented by in-kind support from Kennedy Center.

- The Friends of the Kennedy Center--with 16,000 members--present weekly performing arts symposia and other public service programs at the Center, while nearly 300 active volunteer Friends serve as tour and information guides. Their contributions to the Center totalled more than 65,000 hours and are valued at more than $250,000 for last year alone. Proceeds from membership dues and sale of souvenirs go to finance public service and educational programs.

- The Performing Arts Library, a joint undertaking with the Library of Congress, served more than 20,000 visitors and arts professionals last year. Providing video computer access to the nation's most comprehensive collections of films, books, recordings and other materials on the performing arts, the Library is supported by the Kennedy Center Corporate Fund.

FULFILLING ITS ROLE AS THE NATIONAL CULTURAL CENTER

- The Kennedy Center Honors, created in 1978 to recognize distinguished lifetime achievement in the performing arts, were awarded in 1983 to Katherine Dunham, Elia Kazan, Frank Sinatra, James Stewart and Virgil Thomson. The production and benefit gala for the Honorees raised more than $500,000 for the Center's artistic programs and is broadcast annually on the CBS network to be enjoyed by millions of Americans. The Center has also established a videotape archives to document the careers of each Honoree with generous support from the Warner Communications Program for the Arts. During the past year, audiences also enjoyed a retrospective encore season of 12 "Kennedy Center Tonight" television performance specials, as well as such unique programs as The Bob Hope 80th Birthday Celebration.

- The Acting Company and the ANTA Touring Group bring live theater to communities large and small across the United States. The Acting Company visited more than 30 states this past year as the official touring theater company of Kennedy Center. Major support is provided by the CONOCO Corporation. The ANTA Touring Company is completing its pilot year of touring and is composed of young performers auditioned from Kennedy Center's American College Theatre Festival. Each company is providing important training for young American actors and continuing the tradition of touring live professional theater to all parts of the United States.

- The Terrace Theater was designed and built to help further extend the Center's national outreach by providing a performance showcase for musical, dance, and theater talent from around the country. Because of the Terrace Theater's small size and developmental commitment, substantial private contributions--more than $250,000 in Fiscal 1983--were necessary to help present new works and young talent, and insure full access to the theater by small performing groups. In its first five years of operation, the Terrace Theater has presented more than 1,800 performances by 300 different theater, dance, and musical groups from around the country.

THE UNDER SECRETARY OF THE TREASURY
FOR MONETARY AFFAIRS
WASHINGTON, D.C. 20220

STATEMENT FOR THE RECORD BY BERYL W. SPRINKEL,
UNDER SECRETARY OF THE TREASURY FOR MONETARY AFFAIRS,
ON TREASURY POLICY REGARDING FUTURE DEFERRALS OF
INTEREST ON KENNEDY CENTER REVENUE BONDS
HELD BY THE SECRETARY OF THE TREASURY

Under Section 9 of the John F. Kennedy Center Act (20 U.S.C. 76o), the Secretary of the Treasury was authorized and directed to purchase $20.4 million in revenue bonds (maturing in 2017-2019) from the Kennedy Center's Board of Trustees, to provide funds for construction of the parking facilities at the Center. The Act authorized the Secretary to defer, at the Board's request, the annual interest of $1.2 million, but provided that interest payments so deferred would bear interest at current cost-of-money rates after June 30, 1972.

The Board requested, and the Secretary granted, deferrals of the annual bond interest from 1968 to the present. In 1983, because of the interest-compounding effect, the Center's interest obligation to the Treasury totaled $29.5 million -- almost 150% of the bond principal. At my direction, the Department's Fiscal Assistant Secretary formally notified the Board on August 4, 1983 that a deferral beyond December 31, 1984 would not be granted and that a Treasury-chaired working group, composed of Treasury Department, Kennedy Center, and OMB representatives would meet to discuss a solution to the Center's indebtedness.

The recommendations of the group were ratified by Treasury/OMB/Interior policy officials, and by the Center's Board of Trustees, and on March 7, 1984 I transmitted the recommendations to the Congress. At that time, I restated Treasury's policy on the question of deferrals and pointed out that, failing a legislative solution to the problem in this session of the Congress, the Center would be in default on its interest obligation after December 31, 1984.

I take this opportunity to reaffirm this statement of policy for the record of the hearing on the proposed legislation to amend section 9 of the John F. Kennedy Center Act.

Date: 4/2/84 Signed: Beryl W. Sprinkel

98TH CONGRESS
2D SESSION

S. 2547

Authorizing appropriations to the Secretary of the Interior for services necessary to the nonperforming arts functions of the John F. Kennedy Center for the Performing Arts, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 10 (legislative day, MARCH 26), 1984

Mr. STAFFORD (by request) introduced the following bill; which was read twice and referred to the Committee on Environment and Public Works

---

A BILL

Authorizing appropriations to the Secretary of the Interior for services necessary to the nonperforming arts functions of the John F. Kennedy Center for the Performing Arts, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (e) of section 6 of the John F. Kennedy Center Act (72 Stat. 1698, 1699; 20 U.S.C. 76h, 76*l*) is amended by striking out the period in the last sentence and adding in lieu thereof ", and not to exceed $4,621,000 for the fiscal year ending September 30, 1985, and such sums as

are necessary for the fiscal year ending September 30, 1986.".

98TH CONGRESS
2D SESSION

S. 2562

To amend the John F. Kennedy Center Act, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 11 (legislative day, MARCH 26), 1984

Mr. MCCLURE (for himself, Mr. PERCY, Mr. KENNEDY, Mr. BAKER, and Mr. STEVENS) introduced the following bill; which was read twice and referred to the Committee on Environment and Public Works

---

A BILL

To amend the John F. Kennedy Center Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 9 of the Kennedy Center Act (20 U.S.C. 76o) is amended—

(1) by inserting "(a)" immediately after "SEC. 9.", and by striking out the third, fourth, and seventh sentences thereof; and

(2) by adding at the end thereof the following new subsections:

"(b) Effective as of the date of enactment of this subsection the obligations of the Board incurred under subsection (a) of this section shall bear no interest, and the requirement of the Board to pay the unpaid interest which has accrued on such obligations is terminated.

"(c) There is hereby established in the Treasury of the United States a sinking fund, the Kennedy Center Revenue Bond Sinking Fund (hereinafter referred to as the "Fund"), which shall be used to retire the obligations of the Board incurred under subsection (a) of this section upon the respective maturities of such obligations. The Board shall pay into the Fund, beginning on January 1, 1987 and ending on January 1, 2016, the annual sum of $200,000 in amortization of the principal amount of the obligations. Such sums shall be invested by the Secretary of the Treasury in public debt securities with maturities suitable for the needs of the Fund and bearing interest at rates determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities. The interest on such investments shall be credited to and form a part of the Fund. Moneys in the Fund shall be used exclusively to retire the obligations of the Board incurred under subsection (a) of this section. Adjustments of not greater than plus or minus 5 per centum may be made from time to time in the annual pay-

ments to the Fund in order to correct any gains or deficiencies as a result of fluctuations in interest rates over the life of the investments: *Provided, however,* That a final adjustment shall be made between the Board and the Secretary of the Treasury at the end of the amortization period to correct any overall gain or deficiency in the Fund. The terms of this adjustment shall be covered by a memorandum of understanding between the Board and the Secretary of the Treasury to be consummated on or before the time the initial payment into the Fund is made.".

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